



2025 Michigan Taxpayer Assistance Manual

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CHAPTER 1 - INTRODUCTION

Introduction To The Taxpayer Assistance Manual

Treasury aspires to offer exceptional services in areas of fiscal policy, revenue matters, and tax administration by cultivating a culture of taxpayer service, focusing on employee engagement, and promoting continuous improvement. For more information on Treasury aspirations, go to www.michigan.gov/treasury and choose “About Treasury.”

The Taxpayer Assistance Manual is a guide to completing the following Michigan income tax forms:

- MI-1040: Michigan Individual Income Tax Return
- MI-1040CR: Homestead Property Tax Credit
- MI-1040CR-2: Homestead Property Tax Credit Claim for Veterans and Blind People
- Mi-1040CR-7: Home Heating Credit

This Manual does not supersede the Income Tax Act of 1967 or the Revenue Act of 1941, both as amended. In this manual all examples that require consideration of the number of days in a year are based on a 365-day year.

The Taxpayer Assistance Manual is prepared by the Michigan Department of Treasury (Treasury) to assist volunteer tax preparers in understanding Michigan taxes and preparing tax returns. In addition to the information in this publication, updates are regularly made to Treasury’s website to reflect any changes in the tax law. For the most recent guidance, go to www.michigan.gov/taxes. This manual covers most taxpayer situations that are likely to be encountered by a volunteer preparer and should be used in conjunction with the instruction booklets for each form when preparing the tax return. If a taxpayer’s circumstance is unusual or if a volunteer preparer is unsure of how to apply these instructions, call the Michigan Department of Treasury (Treasury) Volunteer Help Line at 1-888-860-8389. Additional information on more complex issues is also in the Tax Text for tax practitioners available at www.michigan.gov/taxes.

TREASURY WEB SERVICES

Treasury and Taxes Website

Treasury's websites, www.michigan.gov/treasury and www.michigan.gov/taxes, provide information about each tax as well as high-level overviews of processes and procedures. In addition, you can use these websites to reference taxpayer notices, Revenue Administrative Bulletins, calculators, as well as forms and instructions. These websites are an excellent resource to learn the most up-to-date information about Treasury.

Michigan Treasury eServices

Treasury has transitioned Michigan's individual income tax and bottle deposit services from a legacy system to a modernized, secure platform. With this change, Michigan Treasury eServices replaced the previous individual income tax web services that were available in separate systems. There are two Michigan Treasury eService portals that stakeholders use depending on their tax type and role:

- **MiTreasury eServices – Citizen:** for taxpayers to manage Michigan individual income tax responsibilities and access tax information. File the state tax return for free, make tax payments (regular, estimated, extension) electronically, view refund status and tax records, access and respond to Treasury-issued letters, communicate directly with Treasury, and update your tax account. It can be accessed at mitreasury-eservices.michigan.gov/CitizenPortal.
- **MiTreasury eServices – Business:** for business taxpayers (bottle deposit, fiduciary income tax, composite income tax) and tax service providers (supporting clients with Michigan individual income tax, bottle deposit, fiduciary income tax, and composite income tax) to interact with Treasury. File tax forms, make electronic payments, view refund status and tax records, access and respond to Treasury-issued letters, and communicate directly with Treasury. It can be accessed at mitreasury-eservices.michigan.gov/BusinessPortal.

Treasury eServices

Treasury's eServices suite provides taxpayers and service providers with a way to manage their questions and tax needs online. Within each eService portal, taxpayers can ask general or account-specific questions, retrieve and review answers, request copies of correspondence, and, in some cases, see and send account-specific information.

For tutorials, troubleshooting information, and other resources regarding the Treasury eServices, visit the Help Center at www.michigan.gov/taxes/helpcenter.

- **City Taxes eService portal**
The City Taxes eService portal is designed to be used by the taxpayer to check their return and refund status for City of Detroit corporate income, employer withholding, fiduciary income, individual income, and partnership taxes. It can be accessed at etreas.michigan.gov/ct. At this time, the City Taxes eService Portal cannot be used to make inquiries, file tax returns, or make payments.

- **Collections eService portal**

The Collections eService portal can be accessed at etreas.michigan.gov/collections. The Collections eService can be used to pay Collection debts, view assessment information, and correspond with Treasury. Debtors can also set up installment agreements.

There are four pathways to interact with the Collections eService depending on who you are and what you need to accomplish:

- o Guest Payment: to simply send a payment without obtaining account information,
- o Individual Debt Services: for use if you are liable for a personal debt in a Treasury Collections process,
- o Business Debt Services: for use if you are an owner of a business that is in a Treasury Collections process, or
- o Account Representatives Services: for use if you are helping a person or business with a debt that is in a Treasury Collections process.

Account representatives do not need a power of attorney on file to use the Collections eService, but they do need the authorization on file to receive a response to account specific questions or to speak with Collections directly. There is not currently functionality in the Collections eService that allows for electronic submission of the power of attorney form. So, based on the debt type, please refer to the existing pathways to submit the form to Treasury in paper or electronic format to get it on file.

- **Tax Professionals eService portal**

The Tax Professionals eService portal is designed to be used by tax practitioners. It can be accessed at etreas.michigan.gov/tp. Tax practitioners can send inquiries about their clients' tax accounts, ask general questions, and retrieve and review Treasury's responses. When sending account-specific inquiries, tax practitioners must have an Authorized Representative Declaration (Power of Attorney) (Form 151) on file. This instrument permits Treasury to disclose protected account information. Representatives with account-specific questions that do not have a Power of Attorney (POA) on file must email the completed form in PDF format to Treas_PRO@michigan.gov with the service request number of their eService inquiry in the email subject.

DISCLOSURE GUIDELINES

Treasury employees are bound by disclosure laws as stated in Michigan Compiled Laws and the federal penal code. Employees of the Michigan Accounts Receivable Collection System (MARCS), an agency under contract with Treasury, are bound by the same disclosure requirements as Treasury employees. The law prohibits the disclosure of confidential tax information to any person other than the taxpayer of record unless the taxpayer authorizes the disclosure of their information to another individual.

Acceptable disclosure authorizations are:

- *Request and Consent for Disclosure of Michigan Tax Return Information* (Form 4095).
- *Authorized Representative Declaration (Power of Attorney)* (Form 151) correctly completed for businesses, adding an authorized representative declaration through MTO.
- Consent via checking the authorization box on the Michigan income tax return(s). This applies only to the individual named as the preparer on the return and does not extend to others in the preparer's office or firm. In addition, it authorizes the tax preparer to provide Treasury with missing information, contact Treasury to obtain information about processing or status of refunds and payment, and request copies of notices related to the return.
- Written consent that meets the requirements of Michigan Admin Code R 205.1006b.
- Verbal/implied consent (e.g., conference call, interpreter, translator).

Form 151 is available on Treasury's website at www.michigan.gov/taxes, by calling 517-636-4486, or by writing to:

Michigan Department of Treasury
P.O. Box 30757
Lansing, MI 48909

Address disclosure-related inquiries by calling 517-636-4239, faxing 517-636-5340, or by writing to:

Michigan Department of Treasury
Office of Privacy and Security
Disclosure Unit
430 W. Allegan
Lansing, MI 48922

Additional Disclosure Forms that may be used when submitting a disclosure request are located on Treasury's website at www.michigan.gov/treasury. Click on "Forms" for the link to the Disclosure Forms and Information.

IDENTITY THEFT

Treasury works closely with, and participates in, the IRS Security Summit. For more information, go to www.irs.gov/uac/security-summit.

When filing electronically, provide the additional information requested such as driver's license number with the expiration date. Providing the information could help process the return more quickly.

To protect Michigan taxpayers, Treasury continues to implement security measures to prevent tax-related identity theft. As a result, some IIT returns may be selected for identity confirmation.

If an IIT return has been selected for identity confirmation, the taxpayer will receive a letter seeking to confirm identity through the completion of a short online ID confirmation quiz or by submitting paperwork. If a taxpayer does receive an ID confirmation quiz letter, it is not because they are suspected of identity theft. The purpose of the quiz is to protect their identity as the filer and prevent loss of taxpayer dollars. After passing the quiz, the return will be processed.

Warning Signs of Identity Theft

- The IRS or the State of Michigan (SOM) notifies the taxpayer that more than one tax return was filed using the taxpayer's name and/or SSN or that of a spouse or dependent(s).
- The taxpayer has been notified of income or government assistance that they did not receive.
- The taxpayer has a tax balance due, refund offset or has had collection actions taken against them for a tax year the taxpayer did not file a return.
- The taxpayer receives an unexpected or incorrect 1099-G from Treasury.

The victim of stolen-identity tax fraud can assist in resolving the situation. It is very important to act quickly and assertively to minimize the impact of loss or injury that results from unauthorized access to personal information.

If a taxpayer or a preparer's client receives any indication that the original return is rejected as a duplicate tax return, please submit any information requested by Treasury.

Visit Treasury's website at www.michigan.gov/iit, choose "Resolve an Issue" and choose "Identity Theft."

INFORMATION FOR 2025:

What's New

Letter Ruling 2025-1 Income Tax Treatment of Distributions from a United States Government Tax-Deferred Thrift Savings Plan (TSP)

This letter ruling addressed whether distributions from a TSP for a Michigan resident who retired from federal service are deductible as “retirement or pension benefits.” The ITA excludes from the definition of “retirement or pension benefits” a plan that: (1) does not prescribe either retirement age or years of service; and (2) allows an employee to set the amount to be deferred. A retirement plan that meets both elements is excluded from the definition of retirement or pension benefits. Distributions from a TSP satisfy these elements and are not a “retirement or pension benefit” eligible for pension benefits subtraction under MCL 206.30(1)(f). The full text can be found at www.michigan.gov/treasury/reference/letter/2025-letter-rulings/2025-1

Michigan Modernized Income Tax System (MiMITS) Project:

MiMITS replaces the current Michigan individual income tax legacy system and creates a modern technology system for the bottle deposit program. It is scheduled to go live in January 2026. The new system will allow the Michigan Department of Treasury (Treasury) to streamline processes, improve efficiencies, and provide enhanced services to customers. Treasury is committed to providing a holistic approach to tax services while maintaining security and strengthening Treasury’s ability to safeguard customer data. For the most up-to-date information and resources on this project, visit www.michigan.gov/taxes.

Notice: 4.25% Income Tax Rate for Individuals and Fiduciaries in 2025 Tax Year

Individuals and fiduciaries subject to tax under Part 1 of the Income Tax Act, MCL 206.1 et seq., are subject to tax at the rate provided under Section 51 of the Income Tax Act, MCL 206.51. The rate in effect under Section 51 for the 2025 tax year is therefore 4.25%.

2024 PA 156 Voluntary Contributions and Anatomical Gift Donor Registry

2024 PA 156 amended the Income Tax Act to provide a one-time tax credit equal to the lesser of unreimbursed live organ donor expenses of \$10,000. A living individual who donates one or more of the individual’s human organs to another human to be transplanted using a medical procedure to the body of another human is a live organ donor. A donor is able to claim the credit for expenses incurred in the year prior to the live organ donation, in the tax year of the donation, or in the tax year after the donation. For further information, see instructions of the *Michigan Individual Income Tax Return* (MI-1040).

Revenue Administrative Bulletin (RAB) 2026-1: Individual Income Tax – Treatment of Retirement Income Under Public Act 4 of 2023

This RAB discusses the tax treatment of retirement and pension benefits and the standard deduction following the changes to Section 30 of the Michigan Income Tax Act (MITA) enacted by Public Act 4 of 2023 (PA 4) and Public Act 24 of 2025. It updates RAB 2023-22 by providing further guidance on the deduction for certain public safety personnel and their spouses, both surviving and divorced. It also clarifies guidance regarding deductions available to surviving spouses who only claimed a social security deduction in the year of the decedent’s death. Additionally, this update removes transitional guidance regarding the withholding obligations of pension administrators that is no longer applicable and provides

guidance about changes to the standard deduction for taxpayers with Social Security income for tax years 2026 through 2028. Overall, the RAB update reflects a streamlining of issues, update of dollar limits, and more clarity on frequently asked questions.

Notice Regarding Social Security Taxation Changes in Public Act 24 of 2025

Effective for tax year 2026, PA 24 reverses the requirement to offset the standard deduction by the deduction taken for SSA income for taxpayers born after 1952 who have reached the age of 67. This reversal applies for tax years 2026 through 2028. The result is that these taxpayers may receive the benefit of both the standard deduction and the social security deduction in tax years 2026 through 2028.

Notice Regarding New Deductions for Qualified Overtime Compensation and Qualified Tips

Effective for tax year 2026, 2025 PA 24 modified the MITA to incorporate the definitions of “qualified tips” and “qualified overtime compensation” from sections 224 and 225 of the IRC, respectively. Eligibility for “qualified tips” and “qualified overtime compensation” will therefore be based on the federal deduction. Consequently, the allowable deduction against a taxpayer’s taxable income in Michigan should generally mirror the deduction taken on the taxpayer’s federal return for that same tax year. For more information on how these deductions are calculated at the federal level, including what constitutes “qualified” tips and overtime compensation, taxpayers and preparers should consult the ongoing guidance on the OB3 being issued by the Internal Revenue Service (IRS) on its [website found at irs.gov/newsroom/one-big-beautiful-bill-provisions](https://www.irs.gov/newsroom/one-big-beautiful-bill-provisions).

Additionally, taxpayers should note the language related to residency status included in 2025 PA 24. Residents may deduct on their Michigan return all qualified overtime compensation or qualified tips deducted on the federal return. If the taxpayer is a nonresident, only qualifying overtime compensation and qualified tips that are attributable to services performed in Michigan are eligible for deduction.

Relief Available Upon Request for Individuals and Businesses in Counties Affected by Flooding Caused by Severe July Storm System

On August 28, 2025, Governor Gretchen Whitmer declared a state of emergency for Houghton and Ontonagon counties after a strong system of severe storms produced heavy rainfall up to four inches over a four-hour period on July 23, 2025, causing widespread damage to the public infrastructure within those counties. In accordance with that declaration, the Michigan Department of Treasury is providing affected individuals and businesses within those counties the opportunity to obtain special tax relief.

Individual and business taxpayers residing in Houghton and Ontonagon counties affected by the storm system that produced the flooding and attendant damage to public infrastructure can request additional time to comply with upcoming return filing or payment deadlines, with penalties and interest waived. Affected taxpayers in these counties are encouraged to contact Treasury to discuss the extent of relief available under their circumstances.

The relief will be provided through filing and payment extensions to applicable state tax deadlines, such as the quarterly estimated payment deadline for individuals, fiduciaries, and certain flow-through entities (September 15, 2025), and the return filing and payment deadline of the monthly or quarterly sales and use tax return (August 20 and September 20, 2025). This relief does not apply to any federal or city income tax deadlines.

This relief is not automatic. Taxpayers must contact Treasury by telephone, mail, or e-service to request relief.

All RABs and Notices can be found at www.michigan.gov/treasury/reference.

Summary of Changes for 2025

Tax Rate	4.25%
Personal Exemption	\$5,800
Special Exemption	\$3,400
Qualified Disabled Veteran Deduction	\$500
Stillbirth Exemption	\$5,800

Tier 2 Michigan Standard Deduction: Tier 2 Michigan Standard Deduction. Taxpayers born January 1, 1946, through December 31, 1952. The deduction is \$40,000 for married filing joint and \$20,000 for single/married filing separate if the older of you or your spouse (if married filing joint) has reached the age of 67.

Tier 3 Michigan Standard Deduction: Taxpayers born January 1, 1953, through January 1, 1959. The deduction is \$40,000 for married filing joint and \$20,000 for single/married filing separate if the older of you or your spouse (if married filing joint) has reached the age of 67 on or before December 31, 2025. The standard deduction against all types of income may be reduced by personal exemption amounts, taxable Social Security benefits, military compensation (retirement benefits included), Michigan National Guard retirement benefits and railroad retirement benefits included in adjusted gross income (AGI).

Retirement and Pension Deduction

Single Filers

Year of Birth Deduction Limitation (Tiered Structure)	
Born Before 1946: Private Retirement and Pension Limit	\$65,897
Born Before 1946-1952: Standard deduction against all income	\$20,000
Born after 1952: Retirement and Pension not deductible*	\$0
2025 Phase-in Limitations	
Born 1946 through 1966	\$49,423

Joint Filers

Year of Birth Deduction Limitation (Tiered Structure)	
Born Before 1946: Private Retirement and Pension Limit	\$131,794
Born Before 1946-1952: Standard deduction against all income	\$40,000
Born after 1952: Retirement and Pension not deductible*	\$0
2025 Phase-in Limitations	
Born 1946 through 1966	\$98,846

Senior Interest, Dividend and Capital Gains

Single Filers (not available for seniors born after 1945)	\$14,688
Joint Filers (not available for seniors born after 1945)	\$29,376

****Exception: Taxpayers who have reached age 62 and receive pension benefits from Social Security exempt employment may be eligible for a retirement and pension deduction. Refer to Retirement and Pension Benefits.***

Summary Of Changes For Prior Years

Tax Item	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Tax Rate	4.25%	4.25%	4.05%	4.25%
Personal Exemption	\$4,900	\$5,000	\$5,400	\$5,600
Stillbirth Exemption	\$4,900	\$5,000	\$5,400	\$5,600
Special Exemption	\$2,800	\$2,900	\$3,100	\$3,300
Qualified Disabled Veteran Deduction	\$400	\$400	\$400	\$500

Retirement and Pension Deduction for Single Filers

Category	2021	2022	2023	2024
Born before 1946: private retirement and pension limit	\$54,404	\$56,961	\$61,518	\$64,040
Born after 1945 and age 67 or older, Standard deduction against all income	\$20,000	\$20,000	\$20,000	\$20,000
Born 1946 through 1952 and age 66 or less	\$20,000	\$20,000	\$20,000	\$20,000
Born after 1952 retirement and pension not deductible for tiered structure	\$0	\$0	\$0	\$0

Retirement and Pension Deduction for Joint Filers

Category	2021	2022	2023	2024
Born before 1946: private retirement and pension limit	\$108,808	\$113,922	\$123,036	\$128,080
Born after 1945 and age 67 or older, Standard deduction against all income	\$40,000	\$40,000	\$40,000	\$40,000
Born 1947 through 1952 and age 66 or less	\$40,000	\$40,000	\$40,000	\$40,000
Born after 1952 retirement and pension not deductible for tiered structure	\$0	\$0	\$0	\$0

Senior Interest, Dividend, and Capital Gains

Category	2021	2022	2023	2024
Single Filer (not available if born after 1945)	\$12,127	\$12,697	\$13,712	\$14,274
Joint Filers (not available if born after 1945)	\$24,254	\$25,394	\$27,424	\$28,548

Note: For additional information on topics in this chapter, visit www.michigan.gov/taxes select “Individual Income Tax,” and “Reports and Legal” tab for a list of resources.

General Guidelines

Copy Of Return

E-Filed Returns

When electronically filing (e-filing), provide the taxpayer with a paper copy of the return. It may be helpful to mark "COPY" on the taxpayer's copy to eliminate any confusion and reduce the number of duplicate returns received, for instance when a taxpayer's return is e-filed and then later mailed.

Paper Returns

Prepare all returns in duplicate. File the original return and give the copy to the taxpayer. Inform the taxpayer that it is important to keep a copy of the return.

In e-filed or paper return filings, if there are problems regarding the tax return, the taxpayer will be able to refer to the copy to access exactly what was entered on the return. Advise the taxpayer to bring the copy the following tax year to expedite preparation.

Signatures

After you have prepared the return, enter your site designation and the date prepared in the preparer's signature area. Then have the taxpayer (and spouse, if applicable) sign and date the return.

Release To Discuss Information

Ask the taxpayer if they want to authorize personnel in Treasury to discuss the return with the volunteer tax preparer if additional information is needed. If so, have the taxpayer check the box.

Note: *Since volunteer preparers do not enter their name, this instruction is generally applicable only to paid preparers.*

Arranging And Mailing Returns And Attachments

Each form contains a two-digit attachment sequence number in the upper-right corner to help guide with the proper assembly of the *Individual Income Tax Return* (Form MI-1040) and related schedules. Place all supporting documents at the end.

Do not attach the *Home Heating Credit Claim* (Form MI-1040CR-7) to the other returns. Fold it and leave it loose in the envelope.

Mail the return to the address shown on the bottom of the return.

Postage

The U.S. Post Office calculates postage based on the weight, size, and thickness of an envelope. Consult with the Post Office to avoid delays in delivery; items with insufficient postage will be returned to the sender by the Post Office.

Deceased Taxpayer

If a deceased taxpayer has a surviving spouse and a joint return is filed, use both surviving and deceased spouse's names and Social Security numbers (SSN). Enter "DECD" after the deceased's name. Include all income (including the deceased spouse's) on the return. A full exemption allowance is allowed for the deceased spouse.

If there is no surviving spouse and you are preparing a return for the personal representative or a claimant filing single or joint returns for deceased taxpayer(s), you must attach a copy of U.S. Form 1310 or *Michigan Claim for Refund Due a Deceased Taxpayer* (Form MI-1310). Enter the deceased person's name(s) in Filer and Spouse Name fields as indicated and the representative/claimant name(s), title, and address in the Home Address field on the MI-1040.

For examples, refer to the MI-1040 instruction booklet.

Completing A Paper-Filed Return

Treasury uses scanning equipment to capture the information from paper income tax returns. To avoid unnecessary delays caused by manual processing, follow the guidelines below, so that returns are processed quickly and accurately.

- **Use black or blue ink.** Do not use pencil, red ink, or felt tip pens. Do not highlight information.
- **Print using capital letters (UPPER CASE):** Capital letters are easier to recognize.
- **Print numbers like this:** 0 1 2 3 4 5 6 7 8 9. Do not put a slash through the zero or seven.
- **Leave lines/boxes blank** if they do not apply or if the amount is zero.
- **Do not write extra numbers, symbols, or notes** on the return, such as cents, dashes, decimal points, or dollar signs. Enclose any explanations on a separate sheet unless instructed to write explanations on the return. The taxpayer's name, SSN, tax year, and form number should be entered on any attachments.
- **Stay within the lines** when entering information in boxes.
- **Use whole dollars.** Round down amounts less than 50 cents. Round up amounts of 50 cents through 99 cents. Do not enter cents (e.g., 129.49 becomes 129, 129.50 becomes 130).

Treasury has seen an increase in the volume of both returns and e-file payment vouchers with a masked or truncated SSN and bank account number information. Taxpayers have been mailing the masked copy of their documents instead of the copy with the full account information displayed, which may cause significant delays in processing the returns and payments. Tax preparers should emphasize to their customers the importance of **not** mailing the masked copies.

Electronic Filing Programs

Information included in this section was current at the time of this publication.

The Michigan Department of Treasury (Treasury) partners with the Internal Revenue Service (IRS) to provide electronic filing (e-filing) of IIT returns. The Fed/State e-file Program enables taxpayers to e-file both federal and State (including the City of Detroit) returns through tax preparers as part of the program's effort to provide "one-stop shopping" for tax preparation and filing. The State and/or City Unlinked e-file Program enables taxpayers to e-file their State and/or City of Detroit return separately from their federal return.

Nearly 100 million people nationwide know e-filing is the way to go! Over 4 million Michigan taxpayers choose to e-file their tax returns. Thank you for making e-file a success.

Tax preparers who complete 11 or more IIT returns are required to e-file all eligible returns. Software developers producing tax preparation software or computer-generated forms must support e-file for all Michigan and City of Detroit IIT forms that are included in the software package.

Michigan, along with many other state revenue agencies, is requesting additional information in an effort to combat stolen-identity tax fraud to protect taxpayers and their tax refund. If the taxpayer has a driver's license or state-issued identification card, please provide the requested information from it. Providing the information could help process their return more quickly. The return will not be rejected if the taxpayer's driver's license or state-issued identification information is not provided.

There are many benefits to tax preparers who participate in the e-file program:

- **Expanded services offered.** E-file is a valuable addition to a tax preparer's list of client services, which can mean more clients. In addition, prospective clients can find an authorized e-file provider at www.irs.gov.
- **Faster refunds for e-file returns.** E-filed returns are processed faster than paper returns. **Allow 14 days** before checking the status of the Michigan e-filed return by visiting www.michigan.gov/mitreasuryeservices. Clients can also choose direct deposit and have their state refund deposited directly into their account at the financial institution of their choice. Clients can check the status of their City of Detroit e-filed return by visiting www.michigan.gov/citytax.
- **Payment with tax due returns.** Payment on a tax due return can be made using direct debit at the same time the tax return is e-filed, when supported by software. Filers can even select the date the payment will be debited from their account (up to 90 calendar days).
- **Improved return accuracy.** Treasury processes the same data the tax preparer enters into the computer. When e-filing federal, State, and City of Detroit returns together, much of the same data is used, so information is entered only once, again lessening the possibility of error. Treasury systems automatically check returns for mistakes. When easy-to-fix mistakes like math errors or missing forms are found, the return is sent back for correction. The error can then be fixed and sent back to Treasury, which prevents a simple mistake from holding up a refund.
- **Detailed error conditions.** Modernized e-File (MeF) business rules pinpoint the location of the error in the return and provide complete information in the acknowledgement file that is passed back to the transmitter. MeF business rules use simple wording to clarify each error that triggers a rejection. Treasury will provide up to ten business rule errors per return submission.
- **Increased customer satisfaction.** Only tax preparers and their client can access the return. Tax information is encrypted and transmitted directly to the IRS and Michigan. Also, an acknowledgment is sent to verify the return was received and accepted for processing.

- **Prior year and amended returns.** Michigan and City of Detroit tax returns for 2023, 2024, and 2025 will be accepted during the 2026 processing year.
- **Portable Document Format (PDF) attachments.** MeF accepts PDF attachments with e-filed returns. Refer to the “Michigan Portion of the Electronic Return” section for a listing of PDF attachments accepted by Michigan.

How Fed/State (Linked) E-File Works

Tax preparers and transmitters accepted into the IRS Fed/State 1040 MeF Program may file federal and/or State (including City of Detroit) returns together in one transmission to the IRS Service Center. The State submission can be linked to the IRS submission by including the IRS Submission ID of the federal return. If the State submission is linked to an IRS submission (also referred to as the Fed/State return), the IRS will check to see if there is an accepted IRS Submission ID. If there is not an accepted federal return, the IRS will deny the State submission and a rejection acknowledgment will be sent to the transmitter. Treasury has no knowledge that the State return was rejected by the IRS. If there is an accepted federal return under the Submission ID, the IRS will perform minimal validation on the State submission. The State data will then be made available for retrieval by Treasury. After the State data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

Treasury will acknowledge receipt of all returns retrieved from the IRS. The transmitter should receive the Michigan acknowledgment within three days from the date the return is successfully transmitted to the IRS.

The IRS recommends sending the IRS submission first and, after it has been accepted, sending the State submission.

When filing a Michigan return that includes City of Detroit forms, an error occurring in either the State or City form will cause the entire submission (State and City) to be rejected.

All returns, whether e-filed or paper-filed, are subject to Treasury audit and can be delayed regardless of the acknowledgment code received. Returns are processed and refunds are issued daily.

How State Standalone (Unlinked) E-File Works

The federal return does not have to be e-filed and accepted before e-filing the state unlinked return. However, the federal tax return should be computed before computing the State tax return.

Tax preparers and transmitters accepted in the IRS e-file Program may participate in the State unlinked e-file Program when supported by their software. The IRS will perform minimal validation on the State return and issue an acknowledgment. If the return passes validation, the State data will be made available for retrieval by Treasury. After the data is retrieved, it will be acknowledged and, if accepted, processed by Treasury.

When filing a Michigan return that includes City of Detroit forms, an error occurring in either the State or City form will cause the entire submission (State and City) to be rejected.

All returns, whether e-filed or paper-filed, are subject to Treasury audit and can be delayed regardless of the acknowledgment code received. Returns are processed and refunds are issued daily.

Who May Participate

E-filing of Michigan returns is available to all individuals who have been accepted into the IRS e-file Program and who transmit returns to an IRS Service Center. The IRS mandates preparers filing 11 or more IIT returns to e-file those returns, with minor exceptions. Michigan would expect any preparer e-filing federal returns to also e-file the Michigan and/or City of Detroit returns.

Application and Acceptance Process

To participate, applicants must first apply to the IRS and be accepted. Individuals must register with IRS e-Services and create a new or revised IRS e-file application. Individuals can contact IRS e-help toll-free at 1-866-255-0654 for assistance.

Publication 3112 IRS e-file Application and Participation specifies the application process and requirements for federal participation. The definitions used by the IRS of the various categories of e-filers, Electronic Return Originators (EROs), transmitters, or software developers also apply for Michigan e-filing purposes.

Once accepted into the IRS e-file Program, participation in Michigan's e-file Program is automatic. Michigan will use the Electronic Filer Identification Number (EFIN) assigned by the IRS. Michigan does not assign additional identification numbers.

IRS regulations require paid tax preparers to use Preparer Tax Identification Numbers (PTINs) for all tax returns and refund claims. Visit the IRS website at www.irs.gov for more information.

To participate in Michigan e-file Programs, e-filers must use software that has successfully completed the IRS and Michigan Assurance Testing System (ATS). Confirm that the software chosen has been approved for Michigan and that the Michigan e-file Program is operational before transmitting returns.

If, after acceptance, a tax preparer/transmitter or software company has production problems, Treasury reserves the right to suspend that tax preparer/transmitter or software company until the problems are resolved to Treasury's satisfaction.

Treasury may conduct a suitability check on applicants who have been accepted in the Fed/State e-file Program. Participation in the program may be denied if a company is not registered to conduct business in Michigan, or if there is an outstanding tax liability with Michigan.

A list of approved software companies is available on Treasury's website. Tax preparers are not required to file test returns with Michigan.

Michigan Portion of the Electronic Return

The Michigan portion of an electronic return consists of data transmitted electronically and the supporting paper documents. The paper documents contain information that cannot be transmitted electronically.

Electronic Michigan Returns

Michigan e-file **supports** the following forms and schedules:

Form	Title
4013	Resident Tribal Member Annual Sales Tax Credit
4642	Voluntary Contributions Schedule
4884	Pension Schedule
4973	Pension Continuation Schedule
4976	Home Heating Credit Claim MI-1040CR-7 Supplemental
5049	Married Filing Separately and Divorced or Separated Claimants Schedule
5472	Direct Debit of Individual Income Tax Payment
5530	Amended Return Explanations of Changes (Sch AMD)
5595	Excess Business Loss MI-461
5674	Net Operating Loss Deduction
5678	Signed Distribution Statement for Joint Owners of Farmland Development Rights Agreements
5792	First-Time Home Buyer Savings Program
5803	Historic Preservation Tax Credit for Plans Approved after December 31, 2020 (e-file limited to four occurrences)
5889	Report of Oil, Gas, and Nonferrous Metallic Minerals Extraction – Income and Expenses
6072	Schedule FTE
6074	Schedule of Tiered Entities
MI-1040	Individual Income Tax Return
MI-1040CR	Homestead Property Tax Credit Claim
MI-1040CR-2	Homestead Property Tax Credit Claim for Veterans and Blind People
MI-1040CR-5	Farmland Preservation Tax Credit Claim
MI-1040CR-7	Home Heating Credit Claim
MI-1040D	Adjustments of Capital Gains and Losses
MI-1040H	Schedule of Apportionment (e-file limited to six occurrences)
MI-2210	Underpayment of Estimated Income Tax
MI-4797	Adjustments of Gains and Losses from Sales of Business Property
MI-8949	Sales and Other Dispositions of Capital Assets
Schedule 1	Additions and Subtractions
Schedule MI-1045	Net Operating Loss
Schedule CR-5	Schedule of Taxes and Allocation to Each Agreement
Schedule NR	Nonresident and Part-Year Resident Schedule
Schedule W	Withholding Tax Schedule
5118	City of Detroit Resident Income Tax Return
5119	City of Detroit Nonresident Income Tax Return
5120	City of Detroit Part-Year Resident Income Tax Return
5121	City of Detroit Withholding Tax Schedule (City Schedule W)
5253	City of Detroit Withholding Tax Continuation Schedule
5338	City of Detroit Underpayment of Estimated Income Tax

Information from the W-2 and 1099 forms is entered in the software and transmitted with the e-file return. Do not mail W-2 and/or 1099 forms to Treasury. All W-2 and 1099 information, when applicable, is required when submitting a state unlinked return.

When the following forms are included, the MI-1040 **can be e-filed**, but the following forms must be mailed to the address indicated on the form.

Form	Title
4*	Application for Extension of Time to File Michigan Tax Returns
5209*	Application for Extension of Time to File City Tax Returns
MI-1310	Claim for Refund Due a Deceased Taxpayer
MI-1040ES*	Michigan Estimated Individual Income Tax Voucher

*** If the taxpayer makes either the extension payment or estimated payments electronically, using Michigan Treasury eServices, there is no need to mail each of the identified forms to Treasury.**

Michigan will accept e-file returns for deceased taxpayers. If a U.S. 1310 is required, that data must be included within the federal folder of the Michigan e-file return. When e-filing on behalf of a single, deceased taxpayer, with a balance due federal return and a refund Michigan return, the Michigan return can be e-filed and the U.S. 1310 or the MI-1310 (and required documents) included as a PDF attachment when supported by the software or mailed to Treasury.

Following is a list of IIT forms, line references, and filing conditions where PDF attachments are accepted by Michigan.

Form	Line	Description	File Name
State Returns	N/A	Power of Attorney	POA.pdf
State Returns	N/A	Prior Year Net Operating Loss (NOL) Documents (Schedule MI-1045 and federal return with schedules for the applicable prior NOL year)	PriorYrNOLDocuments.pdf
City Returns	N/A	Power of Attorney	CityPOA.pdf
All Returns	N/A	MI-1310	MI-1310.pdf
	N/A	Letter of Authority	LetterOfAuthority.pdf
	N/A	Death Certificate	DeathCertificate.pdf
All Forms and Lines	N/A	Explanation. Must include the form and line number reference.	Explanation.pdf
MI-1040	9d	Certificate of Stillbirth from MDHHS.	CertificateOfStillbirth.pdf
MI-1040	18	Other State Returns	OtherStateReturn.pdf
MI-1040	N/A	Grantor Letter	GranterLtr.pdf
MI-1040	20b	Supporting organ donor expenses documentation	OrganDonorExpenses.pdf
MI-1040 MI-1040CR-5	27	Worksheet to allow claimants to identify percentages they can claim for a farmland preservation tax credit.	FarmlandK1.pdf
MI-1040 MI-1040CR-5	27	A breakdown of the taxable value and property taxes for the farmland preservation tax credit.	Assessor.pdf
MI-1040	30	Flow-Through Entity Tax Credit Documentation	FTECreditDocumentation.pdf
MI-1040CR MI-1040CR-2 MI-1040CR-5	10 10	Property Tax Statement	PropertyTaxStatement.pdf
MI-1040CR MI-1040CR-2 MI-1040CR-7	22 21 25	Custodial Party End of Year Statement	FEN851.pdf

Form	Line	Description	File Name
MI-1040CR	N/A	Letter from the landlord stating the portion of the monthly payment that constitutes rent, or if not available, the prorated share of property taxes.	SpecialHousingStmt.pdf
Schedule 1 or MI-1040CR-5	N/A	Michigan Schedule K-1	MIScheduleK1.pdf
Schedule 1 Schedule NR	N/A	Business Activity Worksheet	BusinessActivity.pdf
Schedule 1	10	Supporting statement when claiming subtraction for when income from U.S. obligations exceeds \$5,000	USObligationsDetail.pdf
Schedule 1	11	Claiming a subtraction of taxable railroad retirement benefits. This can include income from the RRB-1099 and/or RRB-1099R.	RRB1099R.pdf
Schedule 1	22	Subtraction for Marihuana Business Expenses	MRTMADocuments.pdf
Schedule 1	23	Claiming subtraction for federal Schedule R but not required to include Schedule R with federal return.	FedSchR.pdf
Schedule 1	25 26	Tier 2 and Tier 3 Michigan Standard Deduction Worksheet	StandDedTier2Tier3Wsht.pdf
4884	17	Worksheet 3.1	Pension3.1Wsht.pdf
4884	18	Worksheet 3.2	Pension3.2Wsht.pdf
4884	19	Worksheet 3.3	Pension3.3Wsht.pdf
MI-1040H	13	Unitary Calculation	UnitaryCalculation.pdf
Schedule 1	30	NOL Worksheet	NOLWsht.pdf
Schedule MI-1045	19	NOL Worksheet	NOLWsht.pdf
5595	10E	NOL Worksheet	NOLWsht.pdf
5674	2 or 3	NOL Worksheet	NOLWsht.pdf
5674	2 or 3	Prior Year NOL Documents	PriorYrNOLDocuments.pdf
5792	N/A	Explanation of VARIOUS dates of withdrawal	Explanation.pdf
5792	3	Account statements, real estate settlement statement, and/or Form 1099	FirstTimeHomeBuyerDocuments.pdf
5803	4c	Certificate of Completed Rehabilitation	CertificateOfCompleteRehabilitation.pdf
5803	5	Historical Credit Documentation	HistoricalCreditDocumentation.pdf
5889	6 and 19	Oil and Gas Documents	OilAndGasDocuments.pdf
5119	Part 5	Finance Director Approval Letter	ApprovalLetter.pdf
5121	Part 3	Employer Letter and Work Log	EmployerLetterAndWorkLog.pdf
5119	28	Explanation. Employee Business Expenses	EmployeeBusinessExpenses.pdf
5120	23	Explanation. Employee Business Expenses	EmployeeBusinessExpenses.pdf

Software may include a “Preparer Notes” field for the federal, State, and/or City return. The purpose of this field is to capture additional descriptive information from lines that did not have sufficient space. Michigan Preparer Notes can contain up to 150 characters. Tax preparers are encouraged to utilize Preparer Notes and PDF attachments when supported by the software.

Using Preparer Notes and including the recommended PDF attachments may reduce processing delays and the need for Treasury to contact the taxpayer for additional information.

Examples of information that can be included in Preparer Notes and when a PDF attachment is recommended:

- **Combat Zone.** If a taxpayer is serving in a combat zone.
- **Federal Extension granted to MM-DD-YYYY.** If a taxpayer has been granted an extension to file their federal return.

- **Explanation of a large subtraction.** Recommend including an Explanation.pdf when not supported by federal forms.
- **Explanation of a miscellaneous subtraction.** Recommend including an Explanation.pdf when not supported by federal forms.
- **Explanation of how expenses were met when total household resources are very low.** Recommend including an Explanation.pdf.
- **Co-owners share of property taxes.** Recommend including the PropertyTaxStatement.pdf.
- **Explanation of taxpayers paying room and board/property tax credits.** Recommend including the SpecialHousingStmt.pdf.
- **Farmland agreement number reduced for exception by percent.** Recommend including Assessor.pdf.
- **Identify where prior year farmland refund is included on federal return.** Recommend including an explanation in Preparer Notes.
- **Withholding corrected on an amended MI-1040.** Recommend including Explanation.pdf and to provide copies of the W-2(s).

When claiming an NOL carryforward, Treasury recommends attaching prior year NOL documents as a PDF attachment. Prior year NOL documents include the Schedule MI-1045 and federal return with schedules for the applicable prior NOL year. If the file size of the total submission is too large, the federal return with schedules can be mailed to Treasury.

The taxpayer is not eligible for e-file for tax year 2025 if:

Form	Line	Description
Various	N/A	Filing federal returns or forms excluded from Michigan E-File
All Michigan forms	N/A	Filing prior-year return(s) for tax year not within previous two years
MI-1040	19	Filing a return that includes both Form 5803 and 3581
Schedule 1	25	Claiming the Tier 2 Standard Deduction and has received benefits from SSA exempt employment, has retired as of January 1, 2013, and was born January 1, 1959
Schedule 1	26	Claiming the Tier 3 Michigan Standard Deduction with a birthdate of January 1, 1959
Schedule 1	25, 26, and 28	Claiming both the Michigan Standard Deduction (line 25 or line 26) and the dividend/interest/capital gain deduction (line 28) as the unremarried surviving spouse of someone born before 1946 who was at least 65 at the time of death
MI-1040CR	38, 39, and 41	Claiming the Homestead Property Tax credit on the MI-1040CR, needing to prorate the maximum credit limit due to being deceased, and having fewer “days of occupancy” than the number of days the taxpayer lived during the tax year
MI-1040CR-5	8	Using different total household resources than on the MI-1040CR, MI-1040CR-2 or MI-1040CR-7
MI-1040CR-7	15b	Claiming more Deaf/Disabled/Blind exemptions than the total personal, child and dependent adult exemptions.
MI-8949	1	Filing with more than 36 short-term capital gains/losses.
MI-8949	3	Filing with more than 48 long-term capital gains/losses.
MI-4797	2	Filing with more than 16 sales/exchanges of property held more than one year.
MI-4797	10	Filing with more than 13 ordinary gains/losses of property held one year or less
MI-4797	19	Filing with more than 17 gains from disposition of property under Sections 1245, 1250, 1252, 1254 and 1255
5595	N/A	Claiming more than 300 Business Entities on Form 5595.
MI-1040H	13	Filing with more than 28 entities unitary with one another for which apportionment is being combined
5792	N/A	Filing with more than six entries on Form 5792
5121	Part 2	Reporting City Tax Paid by a Partnership

Nonelectronic Portion of Michigan Returns

The nonelectronic portion of the Michigan return consists of the following supporting documents:

- *Michigan Individual Income Tax Certification for e-file* (Form MI-8453). Refer to the “Michigan E-file Signature Process” section for more information on Form MI-8453.
- *Michigan Individual Income Tax Payment Voucher* (Form MI-1040-V). State tax due returns must submit payment by the due date.

- *City Income Tax e-file Payment Voucher* (Form City-V). City tax due returns must submit payment by the due date or extended due date if filing an *Application for Extension of Time to File City Tax Returns* (Form 5209). Form City-V should only be used for e-file payments. For other payment options refer to the “Tax Refund and Payment Information” section.
- *Michigan Direct Debit of Individual Income Tax* (Form 5472). Provides the taxpayer with a copy of their direct debit request entered in the electronic return submission.
- *Signed Distribution Statement for Joint Owners of Farmland Development Rights Agreements* (Form 5678). Used for farmland returns claiming unequal distribution of property taxes on jointly owned land and must be signed by all owners. Do **not** mail a copy of Form 5678 or the signed statement to Treasury. A copy of the signed statement should be retained to avoid reduction and/or denial of the credit. Treasury may later request a copy of the signed statement to verify the unequal distribution claimed.

Michigan E-file Signature Process

For Fed/State Returns

When e-filing the federal and Michigan returns together, Michigan will accept the federal signature (PIN).

For State and/or City of Detroit Unlinked Returns

When e-filing a State and/or City of Detroit unlinked (standalone) return, the filer must sign the return with the Electronic Signature Alternative (ESA) or paper Form MI-8453. The ESA consists of the SSNs, previous year’s Adjusted Gross Income (AGI) or total household resources, and the previous year’s tax due or refund amount.

The AGI or total household resources and refund or tax due amount must be from the previous year’s return. Treasury can accept this information from the original return, amended return, or return as corrected by Treasury.

If the return is signed using the ESA and the return is rejected because the ESA does not match, the taxpayer/tax preparer may correct the ESA information and retransmit. There is no limit on how many times the return can be retransmitted in this circumstance.

Do not send Form MI-8453 to Treasury unless requested to do so.

For Tax Preparers

When e-filing a State and/or City unlinked (standalone) return, Form MI-8453 is used to capture the paid preparer (as defined by Internal Revenue Code (IRC) § 7701) signature and as a preparer certification document to be retained in their records. Part 3 of Form MI-8453 must contain the paid preparer’s signature and date to be used for this purpose.

Volunteer Groups

If the taxpayer chooses to complete Form MI-8453, it should **not** be mailed to Treasury. Volunteer tax preparers should provide taxpayers with form MI-8453 and instruct them to retain a copy with their tax records.

Assistance is available using TTY through the Michigan Relay Service by calling 711. Printed material in an alternative format may be obtained by calling 517-636-4486.

Tax Refund And Payment Information

State Returns

State Tax Returns Claiming Refunds

Michigan taxpayers can elect to have their Michigan income tax refunds directly deposited into their checking or savings accounts. When carrying the direct deposit information from the federal return to the Michigan return, verify the information is correct for the Michigan return. This is especially important when taxpayers have a Refund Anticipation Loan and have designated their federal refund to pay their loans. The State refund should not go to pay those loans.

Direct deposit requests associated with a foreign bank account are classified as International Automated Clearing House Transactions. If the income tax refund direct deposit is forwarded or transferred to a financial institution in a foreign country, the direct deposit will be returned to Treasury. If this occurs, the refund will be converted to a check (warrant) and mailed to the address on the tax return. Taxpayers should contact their financial institutions for questions regarding the status of their bank account.

Treasury cannot make any changes to direct deposit information after the return is transmitted.

Refund requests can now be made by direct deposit for an amended return.

State Tax Returns with Tax Due

If tax is due on the return, the taxpayer must submit payment by April 15, 2026. If full payment of that tax due is not submitted by April 15, 2026, the taxpayer will receive a bill with applicable penalty and interest.

Payments can be made by:

- **Direct Debit:** Direct debit from a checking or savings account when the return is e-filed and supported by the software. A direct debit is a tax payment electronically withdrawn from the taxpayer's bank account through the tax software used to electronically file the IIT return. Submitting the electronic return with the direct debit information provided acts as the taxpayer's authorization to withdraw the funds from their bank account. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed.

Important: When the State return has tax due and the City return has a refund, the City refund cannot be reduced to cover the State tax due.

- **Warehousing a payment.** Warehousing a tax payment allows the taxpayer to designate the date the payment will be withdrawn from their bank account. Treasury will accept a warehoused payment date up to 90 calendar days before, but not beyond, April 15, 2026. Direct debit requests **after** the April 15, 2026, due date cannot be warehoused and must contain a direct debit date that is equal to the transmission date of the e-filed return. Treasury will not withdraw a payment from the designated bank account prior to the requested debit date. Allow three to four business days from the direct debit date of the payment for the funds to be withdrawn from the account.

Penalty and interest will accrue on any tax due that has not been paid by the due date of the return. The day the return was transmitted, if accepted by Michigan, is the received date.

- **Mailing Form MI-1040-V with a check or money order after e-filing the MI-1040 return.** The MI-1040-V should not be included with a copy of the return and should not be used for any other payments made to the State of Michigan (SOM) (such as a City of Detroit tax due). When the payment is made electronically, there is no need to mail the MI-1040-V to Treasury.
- **Michigan Treasury eServices by direct debit (eCheck) from a checking or savings account, or by using a credit or debit card.** Michigan IIT filers have the option of making payments electronically using Michigan Treasury eServices. Paying electronically is easy, fast, and secure. The available payment types include IIT payments (tax due on the MI-1040), quarterly estimated income tax payments, and IIT extension payments. Payments can be made using eCheck from a checking or savings account, or credit or debit card. There is no fee for eCheck payments. Credit and debit payments will be charged a convenience fee of 2.35 percent of the total payment for credit cards and a flat fee of \$3.95 for debit cards, which is paid directly to the payment processing vendor. Visit www.michigan.gov/iit for more information.

City Of Detroit Returns

City of Detroit Tax Returns Claiming Refunds

Direct deposit **will not** be available for City of Detroit refunds. All City of Detroit tax refunds will be issued checks and mailed to the address on the return.

City of Detroit Tax Returns with Tax Due

In the event that tax is due on the return, the taxpayer must submit payment by April 15, 2026. If full payment of that tax due is not submitted by April 15, 2026, the taxpayer will receive a bill with applicable penalty and interest.

Payments can be made by:

- **Direct Debit for tax year 2022, 2023, 2024, and 2025:** Direct debit from a checking or savings account when the return is e-filed and supported by the software. A direct debit is a tax payment electronically withdrawn from the taxpayer's bank account through the tax software used to electronically file the IIT return. Submitting the electronic return with the direct debit information provided acts as the taxpayer's authorization to withdraw the funds from their bank account. Requesting the direct payment is voluntary and only applies to the electronic return that is being filed.

Important: When the City of Detroit return has a tax due and the State return has a refund, the State refund cannot be reduced to cover the City tax due.

Warehousing a payment. Warehousing a tax payment allows the taxpayer to designate the date the payment will be withdrawn from their bank account. Treasury will accept a warehoused payment date up to 90 calendar days before, but not beyond, April 15, 2026. Direct debit requests **after** the April 15, 2026, due date cannot be warehoused and must contain a direct debit date that is equal to the transmission date of the e-filed return. Treasury will not withdraw a payment from the designated bank account prior to the requested debit date. Allow three to four business days from the direct debit date of the payment for the funds to be withdrawn from the account.

Penalty and interest will accrue on any tax due that has not been paid by the due date of the return. The day the return was transmitted, if accepted by Michigan, is the received date.

- **Mailing the *Income Tax Payment Voucher (City-V)* with a check or money order after e-filing the City of Detroit return.** The City-V should not be included with a copy of the return and should not be used for any other payment made to the SOM (such as a Michigan tax due on Form MI-1040). When the payment is made electronically, there is no need to mail the City-V to Treasury.

Payment using Michigan Treasury eServices is not available for City of Detroit tax due returns.

For More Information

Visit the federal website at www.IRS.gov and Michigan website at www.mifastfile.org for more information on the Fed/State e-file Program.

Assistance is available using TTY through the Michigan Relay Service by calling 711. Printed material in an alternative format may be obtained by calling 517-636-4486.

Post-Filing Information

Mailing Addresses

General income tax correspondence or returning a home heating draft for a check:

Michigan Department of Treasury
Customer Contact
P.O. Box 30757
Lansing, MI 48909

Write “Void” across the draft and include a letter of explanation. When returning home heat drafts, the dollar amount of the check may be 50 percent of the returned draft and there will be further review of the account.

Returning State of Michigan checks:

Michigan Department of Treasury
Office of Financial Services
P.O. Box 30788
Lansing, MI 48909

Write “Void” across the check and include a letter of explanation.

Visit www.michigan.gov/treasury for more information.

Amended Michigan Income Tax Returns (Schedule AMD)

To correct or amend information reported on an *Individual Income Tax Return* (Form MI-1040), check the “Amended” box at the top of page 1 of the form. A Schedule AMD and applicable supporting documentation must be included when the amended MI-1040 is filed.

If the original return was adjusted by Treasury and the taxpayer disagrees with the adjustments, it is not necessary to file an amended return. Simply respond to the adjustment notice with documentation to support the original claim. Treasury will review the documentation for further adjustment.

Exceptions:

- When correcting a *Homestead Property Tax Credit* (Form MI-1040CR) and no Form MI-1040 was filed with the original claim, a MI-1040X-12 or MI-1040X are not required. File the Form MI-1040CR using the corrected figures and check the “Amended” box at the top of the form.
- When correcting a *Home Heating Credit* (Form MI-1040CR-7), file a MI-1040CR-7 and check the “Amended” box at the top of the form. An amended claim requesting an additional Home Heating Credit must be submitted by September 30, following the year of the claim.
- When correcting a *Farmland Preservation Tax Credit Claim* (Form MI-1040CR-5), file a MI-1040CR-5 with a new MI-1040 and check the “Amended” box at the top of the form. Submit the amended form along with a description and any documentation needed to explain the change.
- When claiming a refund from a Michigan net operating loss (NOL) carryback, do not file an amended return. To request a refund from a farming loss carryback, file *Farming Loss Carryback Refund Request* (Form 5603).
- An amended return is not required to change an incorrect SSN or incorrect mailing address. Contact Treasury at www.michigan.gov/iit or call 517-636-4486.

An amended return claiming an additional refund must be filed within four years of the due date of the original return.

CHAPTER 2 – MICHIGAN INCOME TAX (FORM MI-1040)

General Information

MI-1040

This chapter will follow the MI-1040 “instructions.” This refers to the instruction booklet used to prepare Form MI-1040. Read the instruction booklet. The following information will recap and/or further explain the instructions in the booklet.

Filing Requirements

An individual who is a Michigan resident for all or part of the tax year is **required** to file a Michigan income tax return if any of the following are true:

1. Michigan income tax is due
2. The taxpayer is due a refund
3. A federal return is required
4. The AGI is greater than the personal exemption allowance on a Michigan Income Tax return.

For tax year 2025, a resident taxpayer is allowed \$5,800 for each personal exemption.

Anyone eligible to be claimed as a dependent on someone else’s return may claim a \$1,500 exemption (\$3,000 on a joint return). This is true whether or not the other person claims the exemption.

To prepare a Michigan income tax return, you must have a copy of the taxpayer’s federal income tax return (U.S. 1040, 1040-SR or 1040-NR). The U.S. 1040 contains information needed to prepare a Michigan income tax return.

Taxpayers who file any of the following schedules or forms with their federal return must attach a copy to their Michigan income tax return and designate the location of any business activity or the location of any real property involved.

Form/Schedule	Description
Schedule 1	Additional Income and Adjustments to Income
Schedule A	Itemized Deductions
Schedule B	Interest and dividend income (if over \$5,000 or a subtraction is being claimed)
Schedule C	Profit or loss from a business
Schedule D and Form 4797	Capital and ordinary gains and losses (copies of U.S. Forms 1040 Schedule D and 4797 are required if taxpayer is filing Forms MI-1040D and MI-4797)
Schedule E	Supplemental income and loss (losses from rents, royalties, partnerships, estates and trusts, and S corporations)

Form/Schedule	Description
Schedule F	Profit or loss from farming
Schedule R	Credit for the elderly or disabled
Form 2555	Foreign Earned Income
Form 3903	Moving expenses (applicable for military personnel only)
Form 4868	Application for Automatic Extension of Time to File U.S. Individual Income Tax Return
Form 6198	Computation of deductible loss from an activity described in Internal Revenue Code (IRC) Section 465(c)
Form 8829	Expenses for business use of home
Form 8949	Sales and other Dispositions of Capital Assets

Due Date Of Return

Income tax returns are due on the 15th day of the fourth month following the close of the taxpayer’s calendar or fiscal tax year. If the due date falls on a weekend or a holiday, the next business day will be considered the due date. The due date for tax year 2025 income tax returns will be April 15, 2026.

Extension

If a taxpayer submits a valid extension of time to file a federal income tax return, attach a copy of U.S. Form 4868 if filed by paper or the acknowledgement or confirmation received from IRS if filed electronically to Form MI-1040. Treasury will extend the due date to the new federal due date.

If a taxpayer does not have a federal extension, complete *Application for Extension of Time to File Michigan Tax Returns* (Form 4) **with the payment of tax due**. Upon receipt of Form 4, Treasury will grant an automatic extension of time to file.

The taxpayer will not receive any notification of approval of a request for an extension.

An extension allows a taxpayer to file later than April 15, 2026. It does not allow a taxpayer to pay the tax later. If the tax is not paid by April 15, 2026, appropriate penalty and interest will be charged.

It is generally not necessary to file an extension request if claiming a refund as a refund can be claimed up to 4 years from the due date of the return.

United States military personnel serving in a combat zone on April 15, 2026, will be given 180 days after leaving the combat zone to file their federal and State returns and will be exempt from penalties and interest. Service men and women serving in combat zones should write “Combat Zone” in ink on the top of page 1 of their return. For e-file returns, enter the word “Combat Zone” in the preparer notes or follow other direction as supplied by the tax software company.

An extension of time to file is not an extension of time to pay. An extension application will not be processed unless a payment is included, or estimated payments have been made and are listed on the form.

Identification Section

Enter taxpayer's:

- Name, if single, and spouse's name, if married filing jointly or separately
- Current mailing address. If the taxpayer changes their address after filing a return/claim, the taxpayer should notify Treasury of the change of address by using Michigan Treasury eServices or in writing by mail.

Social Security Number(S)

Ask to see taxpayer's Social Security card(s). It is important to enter the taxpayer's correct Social Security Number (SSN). If the claimant is married filing jointly or married filing separately, both SSNs must be included on the form.

School District Code

Obtain the code number from the MI-1040 instruction booklet.

For residents, enter the school district code for where the taxpayer lived on December 31, 2025. For nonresidents and for part-year residents who did not live in Michigan as of December 31, 2025, enter "10000" in the school district code box.

State Campaign Fund

A taxpayer and/or spouse may designate \$3 of their taxes to go to the State campaign fund. This decision will not increase the tax liability or reduce the refund.

Filing Status

The filing status used on Form MI-1040 must be the same as the filing status used for the federal return, with one exception: taxpayers who file "married filing separately" for federal purposes may file either "married filing jointly" or "married filing separately" on the Michigan return.

Federal Status	State Status
Single	Single
Head of Household	Single
Qualifying Surviving Spouse	Single
Married Filing Jointly	Married Filing Jointly
Married Filing Separately	Married Filing Separately or Married Filing Jointly

Residency Status

Check box a, b, or c. If one spouse is a resident and the other spouse a nonresident or part-year resident, check the appropriate box for each spouse. If the taxpayer (or spouse) is a part-year resident for the tax year or a nonresident, Schedule NR must be completed.

- a. **Resident.** An individual is a Michigan resident if Michigan is their permanent home (domicile). A permanent home is the place an individual intends to return to whenever they go away.
- b. **Nonresident.** An individual whose permanent home is not in Michigan. A nonresident must file a Michigan return if any income is attributable to Michigan. Some examples are wages earned in Michigan or income received from a business activity located in Michigan.
- c. **Part-Year Resident.** An individual who moved their permanent home into or out of Michigan during the year. A temporary absence from Michigan, such as spending the winter in a southern state, **does not** make the taxpayer a part-year resident.

A taxpayer filing as a nonresident, or part-year resident must:

1. Complete Schedule NR and attach it to Form MI-1040 allocating all items of AGI between the states. (Attach appropriate schedules verifying adjustments.)
2. Prorate the exemption allowance by dividing Michigan income by total income.

Michigan has reciprocal agreements with Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin that exempt nonresidents from income taxes imposed by each state on salaries, wages, and other employee compensation. Michigan residents pay only Michigan income tax on salaries and wages earned in these states. This exemption does not apply to business income.

A resident of a reciprocal state who earned wages in Michigan must file Form MI-1040 along with the Schedule NR and other applicable forms or schedules to receive a refund of Michigan tax withheld. Be sure to indicate the taxpayer's state of residence.

Nonresident Aliens

Nonresident aliens must file a Michigan income tax return if their federal AGI is more than their Michigan exemption allowance. A copy of federal form U.S. 1040-NR, including all schedules and worksheets, must be included with the MI-1040. An MI-1040 can be e-filed with a nonresident alien U.S. 1040-NR return if supported by the tax software program. Wages or other income received by a nonresident alien working in Michigan are subject to the Michigan income tax as provided for in Michigan Compiled Laws (MCL) 206.110(2). However, due to tax treaty considerations between the U.S. and other countries, wages and other income received by a nonresident alien living and working in Michigan may not be subject to the Michigan income tax if the income is excluded from AGI.

A nonresident alien is not domiciled in Michigan and, therefore, may not claim a homestead property tax credit or a home heating credit.

Exemptions

The following are the exemption allowances for 2025:

- \$5,800 for each personal exemption of taxpayer. Each taxpayer may claim one personal exemption. However, if a joint return is not filed, the taxpayer may claim a personal exemption for the spouse if the spouse does not have any gross income and is not the dependent of another taxpayer.
- \$5,800 for each individual who is a dependent of the taxpayer.
- \$5,800 for a parent of a stillborn delivered during 2025 who has been issued a Certification of Stillbirth from the Michigan Department of Health and Human Services (MDHHS).
- An additional \$3,400 for each Michigan special exemption.
- A \$500 deduction for each taxpayer and every dependent of the taxpayer who is a qualified disabled veteran, defined as a veteran of the active military, naval, marine, coast guard, or air service who received an honorable or general discharge and has a disability incurred or aggravated in the line of duty as described in 38 U.S.C. 101(16) of the U.S. Code.
- \$1,500 for a taxpayer who is single or married filing separately (\$3,000 if married filing jointly) and can be claimed as a dependent on someone else's return.

Note: Part-year residents and nonresidents must prorate the exemption allowance using Schedule NR.

Definitions of Michigan Special Exemptions

Taxpayers who have one or more of the impairments described below may claim a special exemption. If the taxpayer's dependent is eligible for a special exemption, only the taxpayer **or** the dependent may claim that exemption, not both.

A special exemption may be claimed for the taxpayer, spouse, and each dependent of the taxpayer who are in any of the following categories:

- **Deaf** – An individual whose hearing is totally impaired or whose hearing, with or without amplification, is so seriously impaired that the primary means of receiving spoken language is through other sensory input, including but not limited to lip reading, sign language, finger spelling, or reading.
- **Blind** – An individual who has a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance of not greater than 20 degrees in the better eye.
- **Hemiplegic** – An individual who has paralysis of one side of the body.
- **Paraplegic** – An individual who has paralysis of the lower half of the body.
- **Quadriplegic** – An individual who has paralysis of both arms and both legs.
- **Totally and permanently disabled** – An individual who is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to result in death, or which has lasted or can be expected to last for a

continuous period of not less than 12 months. Do not claim totally and permanently disabled if the taxpayer is age 66 or older by February 28, 2025.

Support for this exemption is the receipt of any of the following types of income:

- Social Security Disability benefits
- Supplemental Security Income (SSI) disability benefits
- Veterans' Administration disability retirement payments

A taxpayer who does not receive any of the above income may be required to furnish a physician's statement to certify total and permanent disability. For an additional reference refer to 42 U.S.C. 416 of the U.S. Code.

Note: An exemption for totally and permanently disabled cannot be claimed for a claimant, spouse, or dependent who is 66 years of age or older by February 28, 2025.

Adjusted Gross Income

Enter the adjusted gross income (AGI) from the U.S. Form 1040.

Additions To Adjusted Gross Income

The following are the most common additions and must be entered on Michigan Schedule 1, totaled, and carried to Form MI-1040:

- Interest and dividends from obligations or securities of states other than Michigan and their political subdivisions
- Taxes on or measured by income (e.g., deduction for self-employment tax)
- Losses from out-of-state businesses, partnerships, and S corporations
- Losses from out-of-state rental of real property
- Out-of-state farm losses
- Net loss from federal column of Form MI-1040D or MI-4797
- Losses from the sale or exchange of U.S. obligations to the extent used in arriving at AGI
- Refund received from the termination of a Michigan Education Trust (MET) contract
- An unqualified withdrawal from education savings accounts under the Michigan Education Savings Program (MESP) Act if the amount was not included in AGI
- Michigan portion of gain from Form MI-1040D or MI-4797
- Federal net operating loss deduction used to reduce AGI

Subtractions From Adjusted Gross Income

The following are the most common allowable subtractions and must be entered on Michigan Schedule 1, totaled, and carried to Form MI-1040. Subtractions are limited to the extent included in AGI.

- Income from U.S. government obligations reduced by any expenses in carrying the obligation used in arriving at AGI
- Compensation and retirement benefits received for services in the U.S. Armed Forces to the extent included in AGI (Do not deduct compensation received from the U.S. Public Health Service)
- Pension/retirement benefits received from the service in Michigan National Guard to the extent included in AGI
- Pension/retirement benefits received under the Railroad Retirement Act of 1974 to the extent included in AGI
- Capital gain adjustments (from federal column of MI-1040D or MI-4797)
- Income from business or property located in another state
- Retirement/pension benefits. (*Caution:* subtractions of these benefits may be limited and are discussed in detail in a separate section on Pension and Retirement Benefits)

- Dividend/interest/capital gains deduction for senior citizens (*Caution*: this subtraction is not available for individuals born after 1945)
- Social Security (SS) benefits to the extent included in AGI
- Income earned while a resident of a Renaissance Zone that was certified or renewed before January 1, 2012
- Contributions to the MESP or MAP not to exceed \$5,000 for a single return or \$10,000 for a joint return per year
- Contributions to the MiABLE or First-Time Homebuyer's Savings Account not to exceed \$5,000 for a single return or \$10,000 for a joint return per year for either savings plan
- The amount of an advance payment under a MET contract during the tax year
- Michigan state and local income tax refunds to the extent included in AGI
- Michigan homestead property tax credit to the extent included in AGI

Items not allowed as a subtraction:

- Wages, salaries, and personal compensation earned by a resident or earned in Michigan by a nonresident, unless the individual is a resident of a reciprocal state
- Retirement/pension benefits, if the taxpayer did not meet the minimum requirements for receiving the benefits under the terms of the plan (refer to the detailed information that follows)
- Distributions from IRAs before the age of 59 ½, unless the taxpayer meets the guidelines of IRC 72(t)(2)(A)(iv)
- Distributions from deferred compensation plans
- Unemployment benefits included in AGI
- Sick pay, disability benefits, and wage continuation benefits paid to a taxpayer by their employer or by an insurance company under contract with the employer (disability benefits are not from wage continuation plans)
- Stock purchase plans that do not qualify as pension plans under the IRC
- IRA, Keogh contributions (these are subtracted in arriving at AGI)
- Lottery winnings
- Out-of-state gambling winnings taxed by another state (a credit for taxes paid may be available), not applicable to nonresidents

Retirement And Pension Benefits Information

General Information

Note: Form 4884, Michigan Retirement and Pension Schedule, is required to support a subtraction of retirement and pension benefits, but not the Tier 2 or Tier 3 Michigan standard deduction.

For purposes of this section, the term “retirement” will include retirement and pension benefits.

A subtraction may be allowed on the Michigan return for qualifying distributions from retirement plans. Retirement plans include private and public employer plans, and individual accounts governed by various sections of the IRC.

The retirement subtraction involves two steps:

- **First**, the retirement distribution must meet certain requirements to be characterized as a qualified distribution.
- **Second**, a qualified distribution may be subject to a dollar limitation on the amount of the subtraction.

Step 1: Qualified Distribution Requirements

Employer plans and individual plans each have rules for receiving retirement distributions. For a retirement distribution to qualify for the Michigan subtraction, it must comply with the specific distribution rules under its plan.

Employer Plans

Employer plans are created by private companies and by public entities. The employer plan establishes the rules that govern retirement age and the retirement formula for their employees. For both public and private employer plans, an employee must retire under the provisions of the plan, the retirement benefits must be paid from a retirement trust fund, and the payment must be made to either the employee or the surviving spouse. (Payments made to the surviving spouse are only deductible if the employee qualified for the subtraction at the time of death.)

Although traditional employer plans are defined contribution and defined benefit plans, many employers use 401(k) or 403(b) plans that incorporate employee match provisions.

Distributions from a 401(k) or 403(b) plan are qualified distributions to the extent that they are attributable to the employer’s contributions or employee’s contributions that were mandated by the plan. An employee’s contribution required by the plan to elicit an employer match is considered mandated. Amounts distributed from a 401(k) or 403(b) plan that allows the employee to set the amount of compensation to be deferred and does not prescribe retirement age or years of service **do not** qualify as retirement benefits.

Individual Plans

Individuals may also have retirement accounts created under various sections of the IRC that may or may not be part of an employer plan. To qualify for the Michigan retirement subtraction, the distributions must meet the requirements set forth in the relevant section of the IRC.

Individual Retirement Account (IRA) IRC 408 Distribution Requirements

1. 59½ or older, or
2. Disability, or
3. Death – Distributions after the death of the participant may only be subtracted by a surviving spouse, and only if the distributions qualified as a subtraction for the participant at the time of death; or
4. Series of equal periodic payments made for life under IRC 72(t)(2)(A)(iv)

Note: Distributions from a Roth IRA are not included in AGI and are not subtractable on the Michigan return.

Senior Citizen Annuity IRC 72 Distribution Requirements

1. Received from a retirement annuity policy, and
2. For life, and
3. To a senior citizen.

For purposes of the retirement annuity subtraction, a senior citizen is defined in MCL 206.514(1) as an “individual . . . who is 65 years of age or older at the close of the tax year. The term also includes the un-remarried surviving spouse of a person who was 65 years of age or older at the time of death.”

Keogh or HR 10 Plans for the Self-Employed

Distributions are subject to the same general rules for other retirement plans, usually not made until a participant separates from service, the plan is discontinued, or the participant reaches age 59½.

Other Distributions

The following distributions do not qualify for the retirement subtraction:

1. Deferred compensation plans that allow the employee to set the amount of compensation to be deferred and do not prescribe retirement age or years of service, including the following:
 - Deferred compensation plans under section 457 of the IRC;
 - 401(k) plans attributable to employee contributions alone;
 - 403(b) plans other than annuities purchased by an organization exempt under IRC 501(c)(3) or a public school system.
2. Commercial Annuity Policies (unless the payments are made for life to a senior citizen)
3. Premature separation, withdrawal, or discontinuance of a plan prior to the earliest date the recipient could have retired under the provisions of the plan
4. Payments received as an incentive to retire early unless the distributions are from a pension trust
5. Eligible distributions received by a beneficiary of a retirement plan’s deceased account holder, except for the decedent’s surviving spouse
6. Distributions that are sourced to rollovers from plans or contributions that do not qualify (i.e., IRA distributions that are sourced to rollovers from a 457 plan).

Step 2: Dollar Limitations On Retirement Subtractions

Once it has been determined that a retirement distribution has met the requirements of a qualified distribution set forth in Step 1, the next step is to determine if there are any dollar limitations on the amount of the Michigan retirement subtraction.

There are additional limitations on retirement deductions based on the source of the distributions (e.g., public or private) and the year of birth of the retiree who is a single filer or on the year of birth of the oldest spouse for joint filers.

Retirement Limitations

There are limitations set on retirement or pension benefits defined in MCL 206.30(9). These limitations depend upon the birth year of the retiree, as well as filing status and marital status. Retirees are divided into categories (formerly “tiers”) based on date of birth of the taxpayer or the date of birth of the oldest spouse on a joint return.

Private retirement limits for all filers are reduced by amounts claimed as a deduction for military retirement from the U.S. Armed Forces, retirement from the Michigan National Guard, and Railroad retirement.

Special rules apply for determining the limitation applicable to qualifying surviving spouses. A “qualifying surviving spouse” is an individual who claimed a subtraction for retirement and pension benefits or Social Security benefits on a return that was jointly filed with the decedent in the year the spouse died, and the surviving spouse has not remarried. A qualifying surviving spouse may compute the subtraction based on the date of birth of an older deceased spouse. A qualifying surviving spouse born after 1945 who has reached the age of 67 and has not remarried may elect to take the greater of the standard deduction against all types of income or the retirement and pension deduction based on the date of birth of the older deceased spouse. Qualifying surviving spouses should review Form 4884 instructions to determine which deduction is most beneficial for their filing situation.

If a surviving spouse did not claim a subtraction for retirement and pension benefits or Social Security benefits on a return that was jointly filed with the decedent in the year the spouse died, or if the surviving spouse has remarried, then the surviving spouse may compute a retirement and pension benefits subtraction based on the year of birth of the filer (or older spouse if remarried).

Taxpayers with Benefits from Qualified Fire, Police, or County Corrections Service

These taxpayers may subtract all qualifying retirement or pension benefits received from federal or Michigan public sources and may subtract qualifying private retirement and pension benefits up to the maximum private retirement limit established for the tax year. The maximum private retirement limit is reduced by any deduction claimed for public benefits. Therefore, those taxpayers who receive public retirement benefits that are greater than the maximum amount are not entitled to claim an additional subtraction for private retirements.

Individuals are eligible for this deduction if they have a qualifying retirement distribution included in AGI from Michigan service as a:

- Public police or fire department employee subject to the Michigan Compulsory Arbitration of Labor Disputes in Police and Fire Departments Act
- State police trooper or state police sergeant subject to the Michigan Compulsory Arbitration of Labor Disputes of State Police Troopers and Sergeants Act

- If the individual was later promoted to a rank higher than sergeant, their full distribution remains eligible for the deduction described above.
- Conversely, if they never served as a trooper or sergeant in Michigan, they would be ineligible for the benefit. For example: A taxpayer served as a state police officer in West Virginia before taking a Captain position with the Michigan State Police, from which they later retired and received retirement benefits. They would be ineligible for the benefit.
- Corrections officer that receives certification under the Local Corrections Officer Training Act and was employed by a county sheriff in a county jail, work camp, or other facility maintained by a county that houses adult prisoners.
 - MDOC corrections officers, county administrative personnel, and county personnel not certified under the Local Corrections Officer Training Act (e.g., probation and pretrial officers) are ineligible for this benefit.

Note: Individuals with a qualifying distribution included in AGI from service in substantially similar federal employment qualify for this deduction.

Individuals that were born after 1945 and have reached the age of 67, may receive a greater benefit by claiming the standard deduction. Further discussion of the standard deduction follows.

Taxpayers born before 1946

These taxpayers may subtract all qualifying retirement or pension benefits received from federal or Michigan public sources and may subtract qualifying private retirement and pension benefits up to the maximum private retirement limit established for the tax year. The maximum private retirement limit is reduced by any deduction claimed for public retirement benefits. Therefore, those taxpayers who receive public retirement benefits that are greater than the maximum amount are not entitled to claim an additional subtraction for private retirement benefits.

Taxpayers born in 1946 through 1952

These taxpayers qualify to claim a Tier 2 Michigan Standard Deduction upon reaching the age of 67 or the phase-in retirement and pension benefits deduction.

For tax year 2025, the phase-in retirement and pension benefits deduction is up to 75% of the maximum private retirement limit. For single or married filing separate return the limit is up to \$49,423 and for a married filing joint return the limit is up to \$98,846.

The Tier 2 Michigan Standard Deduction is applied against all income and is up to \$20,000 for single, married filing separate returns and \$40,000 for married filing joint returns. The standard deduction is reduced by the deduction claimed for military compensation, including retirement benefits, due to service in the U.S. Armed Forces, or Michigan National Guard and taxable Railroad Retirement Act benefits.

If a taxpayer receives retirement benefits from employment with a governmental agency that was not covered by the federal Social Security Act (SSA), the maximum standard deduction is increased. The uncovered taxpayer may claim a standard deduction up to \$35,000 against all types of income on a single or married filing separate return and up to \$55,000 on a married filing joint return (\$70,000 on a joint return if both spouses received benefits from employment that was “uncovered” by the SSA).

For all claimants of the standard deduction, the standard deduction is reduced by the deduction claimed for military compensation, including retirement benefits, due to service in the U.S. Armed

Forces, or Michigan National Guard and taxable Railroad Retirement Act benefits. A taxpayer is considered to have reached age 67 on the day before their birthday.

Taxpayers who file a joint return and the older spouse was born prior to 1946 (Tier 1) are not eligible for the standard deduction as the benefit claimed is based on the year of birth of the older spouse.

Note: Taxpayers who claim the standard deduction should not complete Form 4884 as the required information is entered on the Michigan Schedule 1.

Taxpayers born after 1952 through 1966

These taxpayers qualify to claim a Tier 3 Michigan Standard Deduction upon reaching the age of 67 or a retirement and pension benefits deduction.

For tax year 2025, the retirement and pension benefits deduction is up to 75% of the maximum private retirement limit. For single or married filing separate return the limit is up to \$49,423 and for a married filing joint return the limit is up to \$98,846.

Beginning in 2018, taxpayers who receive retirement and pension benefits from employment with a governmental agency that was not covered by the federal SSA and who had retired as of January 1, 2013 may claim a retirement or pension deduction up to \$35,000 on a single or married filing separate return and up to \$55,000 on a married filing joint return (\$70,000 on a joint return if both spouses were uncovered). Upon reaching the age of 67, these individuals may claim a standard deduction equal to \$35,000 for single or married filing separate return and up to \$55,000 on a married filing joint return, or \$70,000 for joint returns if both spouses are uncovered. The standard deduction is reduced by the deduction claimed for military compensation, including retirement benefits, due to service in the U.S. Armed Forces, or Michigan National Guard and taxable Railroad Retirement Act benefits.

A taxpayer that has reached the age of 62 and has yet to turn 67 and receives retirement benefits from employment with a governmental agency that was not covered by the federal SSA, may elect to deduct up to \$15,000 or up to \$30,000 if both spouses were uncovered. Individuals should review Form 4884 instructions to determine if this deduction is most beneficial for their filing situation.

The Tier 3 Michigan Standard Deduction is applied against all income and is up to \$20,000 for single, married filing separate returns and \$40,000 for married filing joint returns. The standard deduction is reduced by amounts claimed for personal exemption, taxable Social Security subtraction, military compensation, including retirement benefits, due to service in the U.S. Armed Forces, or Michigan National Guard and taxable Railroad Retirement Act benefits. A taxpayer is considered to have reached age 67 on the day before their birthday.

Taxpayers who file a joint return and the older spouse was born prior to 1946 (Tier 1) are not eligible for the standard deduction as the benefit claimed is based on the year of birth of the older spouse.

Note: Taxpayers who claim the standard deduction should not complete Form 4884 as the required information is entered on the Michigan Schedule 1.

Taxpayers born after 1966:

These taxpayers do not qualify to claim a retirement and pension benefits deduction in 2025, nor are they eligible to claim a Michigan standard deduction.

Unlimited Public Retirement Subtraction

Applies only to retirees born before 1946, qualifying surviving spouses, and qualifying police, fire, and county corrections retirees with qualified distributions from Michigan public safety service as discussed earlier in this section.

Michigan And Federal Public Retirement Distributions

Federal or Michigan public retirement distributions are no longer totally exempt for all taxpayers. The amount that may be deducted depends on the year of birth for a retiree who is single filer or on the year of birth of the oldest spouse for joint filers.

Public retirement distributions include benefits received from the federal civil service, State of Michigan, political subdivisions of Michigan, military, and railroad retirement. If the requirements of the plans under Step 1 are met, these distributions may be deductible depending on the age of the filers.

Public Retirement Distributions From Other States

For retirees born before 1946, the Michigan subtraction for public retirement distributions from other states is limited to the private retirement limits of \$65,897 for a single filer or \$131,794 for joint filers. For all other retirees, the retirement limitations are based solely on date of birth and there is no difference between private and public retirement benefits.

Private Retirement Benefits

Private retirement benefits include employer plans and individual plans such as IRAs and senior citizen annuities. The maximum subtraction allowed for a retiree born before 196 with private retirement is adjusted annually by the percentage increase in the U.S. Consumer Price Index. The maximum deduction for the 2025 tax year is \$65,897 on a single return and \$131,794 for a joint return.

The following table outlines the annual maximum private retirement deductions and only applies to retirees born before 1946.

Tax Year	Single Return	Joint Return
2021	\$54,404	\$108,808
2022	\$56,961	\$113,922
2023	\$61,518	\$123,036
2024	\$64,040	\$128,080
2025	\$65,897	\$131,794

Railroad Retirement Benefits

The taxable amount of railroad retirement income included in AGI may be subtracted on the Michigan return. Portions of railroad retirement are reported as Social Security on the federal return; however, these benefits should be subtracted as railroad retirement, not Social Security, on the Michigan return. Additionally, all railroad retirement benefits must be reported on Schedule W even if there was no Michigan withholding.

Individual Retirement Accounts (Iras)

Retirement or pension benefits that may be subtracted on the Michigan return includes qualifying distributions from IRAs. For additional information regarding IRAs, refer to RAB 2017-21 Individual Income Tax – Individual Retirement Arrangements.

Retirement Subtraction Examples

Example 1: Combined Public and Private Retirement Distributions.

Sam is retired, single, and was born before 1946. He has a State of Michigan retirement distribution of \$40,000 and a private retirement benefit (e.g., 401(k)) of \$33,000. His total retirement deduction for 2025 is determined as follows:

Maximum Private Retirement Deduction	\$65,897
Less: Public Retirement	<u>- 40,000</u>
Allowable Private Retirement Subtraction	\$25,897

Sam's total retirement subtraction is:

Public	\$40,000
Private	<u>+25,897</u>
Total	\$65,897

Since Sam's public retirement distribution is \$40,000, his private retirement benefit deduction is limited to \$25,897. Sam was able to deduct a portion of his private retirement benefits, however if Sam's public retirement was more than \$65,897, he would not be able to subtract any of his private retirement distribution .

Example 2: Employer and Employee Contributions to a 401(k) Plan.

Stuart's employer established a 401(k) plan for its employees. The plan provides for a 50 percent employer match of employee contributions up to the maximum employer match of 3 percent of the employee's salary. The plan also allows the employees to make additional unmatched contributions up to the annual percentage rate allowed by the IRC. Stuart retired under the provisions of the retirement plan at age 60. At the time of his retirement, Stuart received an annual statement from the 401(k)-plan showing total contributions of \$400,000, of which, \$100,000 were employer contributions. Stuart took a distribution of \$25,000 in 2025.

Since the plan includes unmatched employee contributions, Stuart must determine what amount of the \$25,000 distribution is attributed to the unmatched contributions. The plan called for a 50 percent employer match; therefore, \$200,000 of the employee contributions was required to elicit \$100,000 employer matching contributions. The remaining account balance of \$100,000 is unmatched employee contributions. The deductible amount of the 2025 distribution is determined as follows:

$\$100,000/\$400,000 \times \$25,000 = \$6,250$ (distribution attributed to unmatched contributions)

$\$25,000 - \$6,250 = \mathbf{\$18,750}$ (Maximum allowable retirement subtraction. Actual subtraction may be further limited based on the date of birth of the retiree.)

2025 Retirement And Pension Subtraction Table For Retirees Born Before 1946

The 2025 deductible retirement and pension benefits are limited to the lesser of the amount included in AGI or the amounts shown below:

Source of Retirement Benefits	Single	Joint
U.S. Civil Service	Amount included in AGI	Amount included in AGI
State of Michigan	Amount included in AGI	Amount included in AGI
Michigan political subdivisions	Amount included in AGI	Amount included in AGI
Private	\$65,897	\$131,794
Public retirement distributions from other states	\$65,897	\$131,794
Qualified senior citizen retirement annuities	\$65,897	\$131,794
Public and private	Limited to public retirement distributions or \$65,897, whichever is greater (cannot exceed actual qualified distributions received).	Limited to public retirement distributions or \$131,794, whichever is greater (cannot exceed actual qualified distributions received).

Form 1099-R Distribution Codes

Recipients of a retirement distribution receive Form 1099-R. There is a box on Form 1099-R titled “Distribution code(s).” Look in the “Distribution code(s)” box for the number that describes the condition under which the retirement or pension benefit was paid.

1099-R Distribution Code	Description	Is the condition eligible for a Michigan tax exemption? (Dollar and date of birth limits may still apply)
1	Early distribution, no known exception	No
2	Early distribution, exception applies	No, unless: <ul style="list-style-type: none"> • Part of a series of substantially equal periodic payments made for the life of the employee or the joint lives of the employee and employee’s beneficiary. • Early retirement under the terms of the plan.
3	Disability	Yes
4	Death	<ul style="list-style-type: none"> • Yes, for surviving spouse only and only if the decedent would have also qualified for a normal distribution under Distribution Code 7 at the <i>time</i> of death. This may be subject to limitations based on the year of birth of the decedent. • No, for all other beneficiaries. • No, if paid as a death benefit payment made by an employer, but not made as part of a pension, profit-sharing, or retirement plan.
5	Prohibited transaction	No
6	Section 1035 exchange: tax-free exchange of life insurance, endowment insurance, and annuity contracts	No
7	Normal distribution from a plan; distribution from a traditional IRA if the participant is at least 59½; Roth conversion if the participant is at least age 59½; or distribution from a life insurance, annuity, or endowment contract	Yes
8	Taxable excess contribution plus earnings/excess deferrals (and/or earnings)	No
9	Cost of current life insurance protection	No

Deferred Compensation

Distributions received from deferred compensation plans, which allow the employee to set the amount of compensation to be deferred and do not prescribe retirement age or years of service, are treated as ordinary income. Deferred compensation distributions are usually **not** considered retirement income and may **not** be subtracted on the Michigan return, even when a distribution code 7 is indicated on form 1099-R.

Federal law, 4 USC 114, prohibits a state from taxing certain deferred compensation distributions received by a nonresident. Therefore, nonresidents are not subject to Michigan income tax on distributions from deferred compensation plans as defined in IRC Sections 401(k), 457, and 3121(v)(2)(c).

Interest, Dividends, And Capital Gains Deduction For Senior Citizens Born Before 1946

Senior citizens born before 1946 may take a deduction for interest, dividends, and capital gains up to \$14,688 for a single return and \$29,376 for a joint return for the 2025 tax year. The deduction is adjusted by the percent increase in the U.S. Consumer Price Index each year. The amount can be found in the instructions for Schedule 1 of the MI-1040. This maximum deduction must be reduced by the amount of deduction taken for retirement and pension income.

The term “senior citizen” as used in this section, refers to a person 65 years of age or older or an unremarried surviving spouse of an individual who was 65 years of age or older at the time of death. This deduction is available only to taxpayers born before 1946 or the surviving spouse.

Example: Step 1: James and Joanne are married and file a joint income tax return. James was born before 1946. A partial listing of their income is as follows:

Pension Income	\$6,000
Capital Gains	\$32,000
Dividend Income	\$1,800
Interest Income	\$3,800

Step 2: Calculation of interest, dividend, and capital gains deduction:

Maximum Deduction	\$29,376
Less: Retirement Subtraction	-\$6,000
Maximum Allowable Deduction	\$23,376

Step 3: Total interest, dividends, and capital gains = \$37,600

Step 4: Use the **lesser** of the total interest, dividends, and capital gains (\$37,600) or the maximum allowable deduction (\$23,376).

Step 5: The interest, dividends, and capital gains deduction for James and Joanne is **\$23,376**.

Tax Information

Tax Rate

The tax rate for 2025 is 4.25%.

For prior years use the following rates:

- 2024 – 4.25%
- 2023 – 4.05%
- 2022 – 4.25%
- 2021 – 4.25%

Voluntary Contributions

The taxpayer can make contributions to certain funds listed on Form 4642, *Voluntary Contribution Schedule*. These contributions are treated as additional taxes. Any contributions will increase tax due or reduce any refund.

Use Tax

The taxpayer must use Worksheet 1 in the MI-1040 instruction booklet to calculate the use tax and enter the amount of use tax due on the applicable line of Form MI-1040.

Tax Credits (Nonrefundable)

What Is A Nonrefundable Tax Credit

A tax credit is a direct reduction of the tax and is based on a certain formula. Any excess of the credits listed below over tax due is not refundable.

Credit For Income Tax Imposed By Qualified Government Units Outside Of Michigan

A Michigan resident may be allowed a credit for income tax paid to another state of the U.S., a political subdivision (city, county, etc.) of another state, the District of Columbia, or a Canadian province. Only tax imposed on income that is also subject to Michigan tax may be claimed for the credit. A copy of the other state, city, or county income tax return must be included.

Note: Generally, a credit is not allowed for tax imposed by another state on business income apportioned to that state.

For a **Michigan resident**, the allowable credit for tax imposed by:

1. Another state cannot exceed the lesser of:

- The amount of tax imposed by another state on salaries, wages, and other income earned in that state that is also taxable to Michigan,

OR

- The percentage of Michigan tax due on salaries, wages, and other income earned in the other state.

Calculation of Michigan resident's credit for tax imposed by another state:

Step 1: Non-Michigan taxable income that is taxed by both states **divided by** Michigan income subject to tax (line 14 on MI-1040)

THEN

Step 2: Take Michigan Tax amount on the MI-1040, line 17, and multiply by the percent computed from step 1.

To claim this credit, a return must be filed with the other state and a copy of the other state's return included when submitting Form MI-1040. A calculator is available on www.michigan.gov/taxes to assist in the calculation of the credit for income tax imposed by a qualified governmental unit outside of Michigan.

Exceptions: The credit is not allowed on salaries and wages earned in Illinois, Indiana, Kentucky, Minnesota, Ohio, and Wisconsin since this income is not taxable by these states (based on a reciprocity agreement). However, a credit is allowed if a city or county tax is paid in a reciprocal state.

The credit is not allowed on salaries and wages which are subtracted as "Income Attributable to Another State" by a part-year resident since this income is not taxed by Michigan. Nonresidents are not eligible for the credit.

2. A Canadian province credit cannot exceed the lesser of:

- The Michigan tax due on Canadian income taxed by Michigan,

OR

- The portion of provincial tax not claimed as a credit for U.S. income tax purposes.

A Canadian credit is allowed only if provincial tax was paid. To claim this credit, file Michigan *Resident Credit for Tax Imposed by a Canadian Province* (Form 777). Instructions are included. Attach copies of Canadian federal Individual Income Tax Return, Canadian Form T-4, U.S. Form 1116, Computation of Foreign Tax Credit, and U.S. Form 1040. Credit is **not** allowed on the Michigan return for that portion of provincial tax that is a carryover from a previous year or that is being carried over to a future year on the federal return.

Michigan Historic Preservation Credit

2020 PA 343, as effective December 30, 2020, restores the State Historic Preservation Tax Credit Program in Michigan. As part of this program, qualified taxpayers may claim a nonrefundable credit equal to 25 percent of qualified expenditures incurred in a rehabilitation project that is approved, completed, and thereafter certified as completed by the State Historic Preservation Office (SHPO) after December 31, 2020, and before January 1, 2031. The procedures for the submission and approval of proposed rehabilitation plans, as well as the subsequent certification of completed rehabilitation projects, is based on rules promulgated by SHPO. For additional information on the implementation and current status of this program, please visit www.miplace.org/historic-preservation/programs-and-services/historic-preservation-tax-credits/.

The certification of rehabilitation plans that are eligible for the Historic Preservation Income Tax Credit had previously ended as of January 1, 2012. However, for plans that were approved prior to that date, the nonrefundable credit for that project may still be claimed. Any unused portion of that nonrefundable credit may be carried forward for a maximum of ten years. Taxpayers that have a carryforward of an unused portion of the credit should file *Historic Preservation Tax Credit* (Form 3581) when claiming the credit.

Tax Credits (Refundable)

Homestead Property Tax Credit

This credit is covered in [Chapter 3 of this Manual](#).

Farmland Preservation Tax Credit

This credit is provided for under Farmland and Open Space Preservation Act which is part of the Natural Resources and Environmental Protection Act PA 451 of 1994. The Act replaced the repealed farmland preservation act known as "PA 116." The Act enables a landowner to enter into a development rights agreement (for farmland) with the State. The agreements are designed to ensure the land remains in agricultural use for an agreed-upon period. In return for maintaining the land in agricultural use, the landowner is entitled to certain income or property tax benefits.

To receive this credit, complete the *Michigan Farmland Preservation Tax Credit Claim* (Form MI-1040CR-5) and include it with the MI-1040.

The Farmland Preservation Tax Credit refunds to farmland owners the taxes in excess of 3.5 percent of their total household income on property covered by a Farmland Development Rights Agreement (FDRA) with the Michigan Department of Agriculture and Rural Development.

Schedule of Taxes and Allocation to Each Agreement (Schedule CR-5) must be completed. Use more than one Schedule CR-5 as needed. The system will not accept a substitute Schedule CR-5 in lieu of the Michigan Schedule CR-5.

Earned Income Tax Credit

A taxpayer may claim a refundable credit against the income tax for an amount equal to 30 percent of the credit the taxpayer is allowed to claim under IRC 32 (i.e., the Earned Income Tax Credit (EITC)) for a tax year on a return filed under the act for the same year.

Income Tax Withheld

This appears on the taxpayer's W-2 statement under "Michigan Tax Withheld." Be sure to include withholding for each W-2. Complete Schedule W and include it with the return. Note that withholding can be shown on other forms such as W-2Gs and 1099s. Do not include W-2 statements with the return.

Claim Of Right Doctrine

The Michigan Income Tax act allows taxpayers to claim a credit against the Michigan income tax equal to the amount of tax paid on amounts included in taxable income in a prior tax year and repaid in the current tax year.

The amount of the repayment must have been deducted on U.S. Schedule A or claimed as a credit on U.S. Form 1040 to claim a credit on the Michigan return. If the repayment was deducted in arriving at AGI, no additional credit is allowed on the Michigan return.

Example: Included in Roy's 2023 AGI was \$18,000 in Supplemental Unemployment Benefits (SUB pay) from ABC, Inc. In 2025, Roy repaid the \$18,000, as it was determined he did not have the right to receive the SUB pay. The 2025 repayment qualified under IRC 1341 and was taken as an itemized deduction by Roy on his 2025 federal Schedule A.

For the 2025 tax year, Roy is allowed a \$729 ($\$18,000 \times .0405$) credit against his Michigan income tax. Calculate the credit using the tax rate in effect for the year the amount was included in Michigan taxable income (4.05 percent), not the rate (4.25 percent) in effect for 2025, the year of the repayment. Report the credit on the line for reporting withholding taxes. Write "Claim of Right/Repayment" next to the withholding line. Include a copy of Roy's 2025 federal Form 1040 pages 1 and 2, Schedule A, Schedule 5 and documentation of the repayment, and a calculation showing how the credit was determined on his 2025 MI-1040.

ESTIMATED PAYMENTS/CREDIT FORWARD

Any estimated payments that were made for the tax year and/or a credit forward from the previous tax year should be claimed on the MI-1040. Any taxpayer who expects their tax liability for the year to exceed \$500, after withholding and tax credits, should file *Michigan Estimated Income Tax for Individuals* (Form MI-1040ES) and make quarterly estimated payments for the year. Failure to do so may result in additional penalties.

CHAPTER 3 – HOMESTEAD PROPERTY TAX CREDIT (FORM MI-1040CR AND FORM MI-1040CR-2)

General Information

Introduction

A homestead property tax credit is granted by the State of Michigan to assist residents in paying their property taxes. Property taxes are taxes paid by:

- A homeowner directly to a Michigan city, township, or county, or
- The portion of rent paid to a landlord that represents property tax on an apartment, duplex, home, or other rental unit, or
- A service fee in lieu of taxes paid.

Note: *The taxes do not have to be paid to the taxing authority in order to claim the homestead property tax credit. The credit is based on taxes levied for the tax year.*

Credit Refund

The taxpayer will be refunded the total computed credit unless they have a liability for:

- Income tax, business tax, etc.
- Other State agencies
- Friend of the Court
- Third-party liabilities.

If the taxpayer has a liability, the credit will be used to offset the amount due. However, should the credit be greater than the liability, the balance of the credit will be refunded.

Instructions

This chapter will often refer to the “instructions.” These are the instruction booklets used to prepare the homestead property tax credit forms MI-1040CR and MI-1040CR-2. Read the respective instruction booklets for reference. The following information will recap and/or further explain the instructions.

In the coming section, rent or rent paid refers to gross rent as defined in MCL 206.508(1), which “means the total rent contracted to be paid by the renter or lessee of a homestead pursuant to dealing at arms’ length with the landlord of the homestead”. This means that a renter attempting to claim the homestead property tax credit must be contracted to pay rent (i.e. have a lease or other formal agreement) to qualify for the credit.

Who May Claim A Credit

A credit may be claimed by a person who:

1. Was a Michigan resident for at least six months of the year, **and**
2. Has THR that does not exceed \$71,500, **and**
3. Owned or was contracted to pay rent and occupied a Michigan homestead on which either property tax or a service fee was levied, **and**
4. Has property taxes or 23 percent of total rent for the year that exceeds 3.2 percent of total household resources (THR)

Additionally, a homeowner must have a taxable value on their homestead that does not exceed \$165,400 (with an exception for vacant farmland classified as agricultural).

Homesteads That Do Not Qualify

A homestead property tax credit may **not** be claimed for:

- Rent paid to a city housing project if no property taxes or service fees are levied on the property.
- Rent or property taxes on a summer cottage or other secondary home.
- Rent or property taxes on property not located in Michigan.
- Rent paid by anyone who is not a resident (domiciled) of Michigan.
- Property taxes on a homestead with a taxable value greater than \$165,400 (with an exception for vacant farmland classified as agricultural).
- Homesteads with an exemption from property taxes being levied for the tax year (e.g., low-income individuals who receive an exemption from their local assessor).

Calculation Of The Credit

Homeowner

The credit is equal to a percentage (60% - 100%) of the amount that property taxes exceed 3.2 percent of THR. The credit is limited to \$1,900.

Renter

The credit is equal to a percentage (60% - 100%) of the amount that 23 percent of the annual rent paid exceeds 3.2 percent of THR. The credit is limited to \$1,900 (refer to the exception under Renter on in this chapter, for property subject to a service fee in lieu of property taxes).

Calculation

The calculation of the credit begins with the amount that property taxes (or 23 percent of the annual gross rent paid) that exceeds 3.2 percent of THR. A credit-phase out applies for all claimants once THR exceeds \$62,500 (refer to the [Phase-Out Chart later in this chapter](#)). No credit is allowed for any claimant with THR exceeding \$71,500.

- For most filers, the credit is equal to 60 percent of the amount that property taxes (or 23 percent of annual rent) exceed 3.2 percent of THR, limited to \$1,900, if THR is \$62,500 or less. The credit-phase out applies once THR exceeds \$62,500 (refer to the Phase-Out Chart in this chapter). The credit is completely phased out once THR exceeds \$71,500.
- A claimant who, at the end of the tax year, is deaf, blind, hemiplegic, paraplegic, quadriplegic, or “totally and permanently disabled”, will receive 100 percent of their computed credit, limited to \$1,900, if THR is \$62,500 or less. For 2025, “Totally and permanently disabled” status stopped when the claimant reached the age of 66 or older by **February 28, 2025**. The credit phase-out applies once THR exceeds \$62,500 (refer to the [Phase-Out Chart in this chapter](#)). The credit is completely phased out once THR exceeds \$71,500.
- For a senior citizen claimant aged 65 or older at the end of the tax year (if married filing jointly at least one claimant, filer or spouse, is 65 years of age or older), the amount that can be claimed depends on the senior claimant’s THR:
 - For senior claimants whose THR is \$21,000 or less, 100 percent of the computed credit can be claimed, limited to \$1,900.
 - For senior claimants whose THR is \$21,001 to \$30,000, the credit is reduced by 4% for each \$1,000 of total household resources in excess of \$21,000, up to \$30,000. The \$1,900 maximum still applies (refer to the Senior Credit Reduction Chart below).
 - For senior claimants whose THR is \$30,001 to \$62,500, 60 percent of the credit can be claimed, limited to \$1,900.
 - For senior claimants whose THR exceeds \$62,500, the credit phase-out applies after the \$1,900 limitation (refer to the Phase-Out Chart in this chapter).

Senior Credit Reduction Chart

Total Household Resources	Percentage
\$ 0 - 21,000	100% (1.0)
21,001 - 22,000	96 (0.96)
22,001 - 23,000	92 (0.92)
23,001 - 24,000	88 (0.88)
24,001 - 25,000	84 (0.84)
25,001 - 26,000	80 (0.80)
26,001 - 27,000	76 (0.76)
27,001 - 28,000	72 (0.72)
28,001 - 29,000	68 (0.68)
29,001 - 30,000	64 (0.64)
30,001 - 71,500	60 (0.60)

Percent Of Property Taxes Not Refundable - THR Of \$6,000 Or Less

For most filers, 3.2 percent of THR is subtracted from the annual property tax or 23 percent of annual rent to compute the credit. However, if the claimant or spouse is 65 or older **or** is paraplegic, quadriplegic, hemiplegic, deaf, **or** is totally and permanently disabled **or** an un-remarried spouse of an individual 65 or older, **and** THR is \$6,000 or less, use the percentage found in the table below.

THR	% of THR
\$3,000 or less	0%
\$3,001 - \$4,000	1%
\$4,001 - \$5,000	2%
\$5,001 - \$6,000	3%
Greater than \$6,000	3.2%

Maximum Credit

The maximum credit is \$1,900, even if the calculated amount is greater than \$1,900. The limit is imposed before the phase-out described below. Example 2 addresses a situation where an individual computes the maximum credit but their THR is subject to the phase-out.

Phase-Out

For claimants whose THR exceeds \$62,500, the computed credit (maximum \$1,900) must be reduced by 10 percent for each thousand or portion of thousand over \$62,500 and up to \$71,501. Claimants whose THR exceeds \$71,500 are no longer eligible for the credit.

Credit Phase-Out Chart

Total Household Resources	Percent
\$62,500 or less	100% (1.0)
62,501 - 63,500	90% (0.9)
63,501 - 64,500	80 (0.8)
64,501 - 65,500	70 (0.7)
65,501 - 66,500	60 (0.6)
66,501 - 67,500	50 (0.5)
67,501 - 68,500	40 (0.4)
68,501 - 69,500	30 (0.3)
69,501 - 70,500	20 (0.2)
70,501 - 71,500	10 (0.1)
71,501 or above	No Credit

Example 1: A senior citizen has total household resources of \$65,000 and property taxes of \$2,500. The property taxes exceed 3.2 percent of total household resources by \$420 ($\$65,000 \times 0.032 = \$2,080 \rightarrow \$2,500 - \$2,080 = \420). The senior citizen's total household resources exceed \$30,000; therefore, the credit is reduced from 100 percent to 60 percent, or \$252. The phase-out then applies and will further reduce the \$252 credit to 70 percent, for a credit of \$176 ($\$252 \times .70$).

Example 2: A claimant has total household resources of \$68,000 and property taxes of \$7,000. The property taxes exceed 3.2 percent of total household resources by \$4,824. The credit is first reduced to 60 percent or \$2,894. The credit is then limited to \$1,900, the maximum allowed. After the \$1,900 limit is applied, the phase-out to 40 percent further reduces the credit to \$760 ($\$1,900 \times 0.40$).

When To File A Claim

Claims must be filed within four years from the due date of Form MI-1040, not including approved extensions. For example, an individual would have until April 18, 2026, to file a homestead property tax credit claim for tax year 2021. Changes to the general due date, such as those implemented in response to the COVID-19 pandemic do alter the due date for this credit.

Which Form To Use (Mi-1040cr Or Mi-1040cr-2)

Use Form MI-1040CR, *Homestead Property Tax Credit Claim*, for:

- General claimant
- Paraplegic, quadriplegic, hemiplegic, deaf, blind, or totally and permanently disabled persons
- Senior citizen – regular method
- Senior citizen - alternate rent credit (rent larger than 40 percent of THR)

Use Form MI-1040CR-2, *Homestead Property Tax Credit Claim for Veterans and Blind People*, for:

- Veteran with a service-connected disability or veteran's surviving spouse, a surviving spouse of a veteran deceased in service, or a veteran of wars before World War I
- Person in active military whose total household resources is \$7,500 or less
- Pensioned veteran or his/her surviving spouse whose total household resources is \$7,500 or less
- Surviving spouse of a nondisabled or non-pensioned veteran of the Korean War, World War II, or World War I whose total household resources is \$7,500 or less
- Blind person who owns their home.

Claimants eligible for the credit for veterans and blind people should prepare both the MI-1040CR and the MI-1040CR-2. File the credit claim that results in a larger credit.

Beginning in 2013, disabled veterans who own their home, filed a *State Tax Commission Affidavit for Disabled Veterans Exemption*, and received a property tax exemption, are not eligible for a homestead property tax credit on that exempt property.

Identification

Social Security Number(s)

Both SSNs must be included on the form for married claimants who file jointly or separately. This claim must be filed jointly unless there is a legal separation **and** separate homesteads are maintained.

School District Code

Obtain the code number from the MI-1040 instruction booklet.

For residents, enter the code for the school district that the taxpayer lived in on December 31, 2025.

For part-year residents who did not live in Michigan as of December 31, 2025, enter "10000" in the school district code box.

Age 65 Or Older

One spouse, if filing jointly must be 65 or older on December 31, 2025, to qualify as a senior. The unremarried spouse, regardless of age, of a person who was 65 or older at the time of death, also qualifies as a senior.

Disability Definitions

Use the following definitions to determine if the taxpayer is eligible to check box 5b of Form MI-1040CR:

- | | |
|---------------------|--|
| Blind | An individual who has a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance of not greater than 20 degrees in the better eye. |
| Deaf | An individual whose hearing is totally impaired or whose hearing, with or without amplification, is so seriously impaired that the primary means of receiving spoken language is through other sensory input, including but not limited to lip reading, sign language, finger spelling, or reading. |
| Hemiplegic | An individual who has paralysis of one side of the body. |
| Paraplegic | An individual who has paralysis of the lower half of the body. |
| Quadriplegic | An individual who has paralysis of both arms and both legs. |

Totally and permanently disabled

An individual who is unable to engage in any substantial gainful activity permanently by reason of any medically determinable physical or mental impairment disabled which can be expected to result in death, or which has lasted or can be expected to last for a continuous period of not less than 12 months. For an additional reference refer to 42 U.S.C. 416.

Support for the totally and permanently disabled exemption is the receipt of any of the following types of income:

- Social Security Disability benefits (SSDI)
- Supplemental Security Income (SSI) disability benefits
- Veterans' Administration (VA) disability retirement payments

A taxpayer who did not receive any of the above income in the tax year may be required to furnish a physician's statement to certify total and permanent disability.

Note: The credit calculation for totally and permanently disabled claimants does not apply for a claimant who is 66 years of age or older by February 28, 2025. 42 U.S.C. § 416

Filing Status

Check the applicable box for the claimant's filing status. If the claimant filed a joint federal return, they must file a joint property tax credit. Married couples who file married filing separate must include the total household resources of both spouses unless they filed separate federal returns and maintained separate homesteads. If a claimant filed their federal return as head of household or qualifying surviving spouse, the claimant must file the property tax credit as single or, if married, married filing separately.

Note: If married taxpayers filed a Michigan income tax return (Form MI-1040), it may be possible for the filing status on the property tax credit claim to be different than the filing status checked on the income tax return, Form MI-1040.

Residency Status

Check all applicable boxes. If one spouse was a resident and the other spouse was a nonresident or part-year resident, check the appropriate box for each spouse. If either spouse was a part-year resident, enter the dates of Michigan residency.

Computation

This section identifies the allowable taxes, rent, and THR, which are the key figures needed to calculate the credit.

Line references below in sections titled “PROPERTY OWNER” through “SENIOR CITIZEN - ALTERNATIVE METHOD FOR RENTER” refer to lines on the 2025, *Homestead Property Tax Credit Claim Form MI-1040CR*.

Instructions on completing the 2025, *Homestead Property Tax Credit Claim for Veterans and Blind People Form MI-1040CR-2*, will be discussed later in this chapter.

Property Owner

Property Taxes

The taxable value (TV) and property taxes must be entered on the return. The TV can be found on the property tax statement, or it can be obtained from the local tax assessor.

Homestead Property Owner

Determine that the property is occupied by the owner.

- Claim only the taxes **billed (levied)** for the year of claim regardless of when tax was paid. These include additional taxes assessed or refunded in the current year that are attributable to a prior year because of a Michigan Tax Tribunal decision or the reversal of a homestead affidavit denial.
- Administrative fees of up to 1 percent of the ad valorem taxes levied may be included in the amount of taxes used to compute the credit.
- Special assessments may **not** be included in taxes unless special assessments are based on the TV or state equalized value, are levied using a uniform millage rate, and are applied to the entire taxing jurisdiction. Public Act 28 of 2003 allows an assessment that is levied township-wide but not on a village within the township to be included in the credit calculation if the assessment meets the first two criteria and is for police, fire, or advanced life support.
- Delinquent taxes paid in 2025 may **not** be included in the amount of taxes used to compute the credit for 2025.
- If the homestead was bought or sold during 2025, the taxes must be prorated for the time each homestead was owned and occupied.
- If an individual does not directly own their homestead, for example the property is held by a trust or other entity (S Corporation or LLC), they are not eligible to claim the credit as an owner of their homestead.

Farmland Property Owner

Farmers may include farmland taxes in the property tax credit claim if any of the following conditions apply:

- If agricultural gross receipts are greater than *household income*, all farmland property taxes including taxes on unoccupied farmland are eligible for the credit. Taxes on farmland that is rented by or leased to another person and is not adjacent or contiguous to taxpayer's home is not eligible for the credit.
- If agricultural gross receipts are less than *household income* and taxpayer has lived in the home more than ten years, the taxes on the home and the adjacent and contiguous farmland are eligible for the property tax credit.
- If agricultural gross receipts are less than household income and taxpayer has lived in the home less than ten years, the taxes on the home and five contiguous and adjacent acres of farmland are eligible for the credit.
- If the taxable value of the homestead excluding the taxable value of the unoccupied farmland classified as agricultural exceeds \$165,400, the taxpayer is not eligible for the homestead property tax credit.

Homeowner, Full-Year

Indicate taxable value (TV) and all allowable property taxes on the appropriate lines.

Homeowner, Part-Year

Claimant must be **domiciled** in Michigan for at least **six months to qualify for the credit**. Property taxes must be prorated if the claimant was a part-year resident **or** a full-year resident who bought or sold a home during the year. The total time claimed for all homesteads must not exceed 12 months or 365 days, and the taxes must be prorated for the time the claimant owned and occupied each homestead. Part-year residents are limited to the number of days they actually lived in Michigan. Complete "*Part 3: Homeowners Who Moved in 2025*" of the MI-1040CR, using both columns if necessary.

Note: If either of the homesteads owned has a taxable value that exceeds \$165,400, the property taxes on that homestead may not be included in the credit claim.

Example: Raymond Smith sold his homestead (House A) on March 31. He occupied it until March 31. On April 1, he moved into a new homestead (House B) which he purchased. Property taxes billed for that year are as follows:

House A

City Tax (July):	\$600
County Tax (November):	\$130
Total:	\$730

House B

City Tax (July)	\$1,050
County Tax (November)	\$235
Total:	\$1,285

Mr. Smith occupied House A for 90 days and House B for 275 days in the tax year. He would use the following percentage of property taxes on each house for the credit:

House A: $90 \div 365 = 25\%$

House B: $275 \div 365 = 75\%$

Therefore, assuming both houses have a TV of \$165,400 or less, Mr. Smith is entitled to claim \$1,147 of property taxes as computed below:

House A: $\$730$ (total tax) $\times 25\%$ (prorated occupancy) = $\$183$

House B: $\$1,285 \times 75\% = \964

Total: $\$183 + \$964 = \mathbf{\$1,147}$

Renter

Rent

If a property is not subject to ad valorem property tax or a service fee, no portion of the rent is considered to be property tax. Therefore, no credit is allowed.

Rent should not include security deposits, late fees, or charges for other services provided. Examples of other services may include laundry, meals, or housekeeping.

The property tax that is considered included in rent is as follows:

- 23 percent of rent paid, if the property is subject to ad valorem property taxes.
- 10 percent of rent paid, if the landlord pays a service fee to the local unit of government instead of property tax. This is sometimes referred to as a PILOT (Payment in lieu of taxes).

Renter, Full-Year

Claimant was domicile in Michigan and rented a Michigan homestead for the full year (12 months). Complete "*Part 4: Renters*" of the MI-1040CR and follow instructions to complete the remainder of the form.

Renter, Part-Year

Claimant must be **domiciled** in Michigan for at least **six months to qualify for the credit**. Claimant either moved from a rental situation to owning a home (or vice versa), was a part-year resident, or is filing on behalf of a deceased taxpayer. Claimant may only claim rent for the period of time they were a Michigan resident and actually occupied the rental unit. Do not include rent beyond the dates claimant lived in the unit (e.g., additional rent paid to fulfill the terms of a lease when they moved to another homestead). Complete "*Part 4: Renters*" of the MI-1040CR and follow instructions to complete the remainder of the form. If the claimant also bought or sold a home that was their homestead in the tax year, also complete "*Part 3: Homeowners Who Moved in 2025*" of the MI-1040CR.

Types Of Housing

To determine whether the claimant should be reporting property taxes levied or rent, consider the various types of housing and/or circumstances that may affect how the claimant should file.

Mobile Home

A claimant living in a mobile home park may claim \$3 per month for property taxes in addition to 23 percent of the balance of the rent paid. The \$3 per month tax is a specific tax imposed on each lot in the mobile home park, in addition to the general property tax paid by the landlord.

If the renter also pays a **separate property tax** for an additional attached building (such as a garage, carport, or shed), they may also claim the specific property tax for the attached building. The taxes must be billed separately to qualify. Complete “*Part 4: Renter*” of the MI-1040CR. Include the lot rent minus the \$3 per month tax and follow instructions to complete the remainder of the form. The \$3 a month for the specific tax is reported as property taxes levied (e.g., enter \$36 if claimant lived all 12 months of the tax year in the mobile home park).

Example: John Jackson lives in the Sunny Day Trailer Park. Mr. Jackson’s lease agreement for the lot indicated total rent paid for the entire tax year was \$6,816. Included in each month’s rent is a \$3 specific tax, which totals \$36 a year. The following entries are made on the credit claim:

- Page 3, line 52
 - Column A, enter the address where John Jackson lived and rented
 - Column B, enter the landowner’s name and address
 - Column C, enter 12 as the number of months rented in the tax year
 - Column D, enter \$565 as the rent paid per month ($\$6,816 - \$36 = \$6,780$)
($\$6,780 \div 12 = \565)
 - Column E, enter \$6,780 as the total rent paid
- Page 1, line 10: Enter \$36 as taxes levied
- Page 1, line 11: Enter \$6,780 as total rent paid
- Page 1, line 12: Enter 23% of the rent paid, \$1,559 (line 11, $\$6,780 \times 23\%$)
- Page 1, line 13: Enter \$1,595 as the total taxes claimed for the property tax credit

Service Fee Housing

If the claimant lives in housing on which service fees are paid instead of property taxes, the credit must be computed using 10 percent of the rent, rather than the 23 percent generally used by other claimants who rent. Complete “*Part 5: Alternate Housing Facilities*” of the MI-1040CR and follow instructions to complete the remainder of the form.

Note: *This arrangement is sometimes referred to as a PILOT (payment in lieu of taxes)*

Note: *In some situations, it is possible to determine if housing is subject to property taxes by reviewing publicly available data from the local assessor. If the taxable value is listed as \$0, it may be service fee or tax-exempt housing.*

Subsidized Housing

A claimant who lives in subsidized housing must compute their homestead property tax credit based on rent if the facility provides an itemized bill identifying the portion charged for rent, separate from charges for other services such as food, housekeeping, or transportation. Only the amount of rent paid by the claimant can be used to compute the property tax credit.

If the claimant's rent was subsidized; complete "*Part 5: Alternate Housing Facilities*" of the MI-1040CR and follow instructions to complete the remainder of the form. Do not include amounts paid on behalf of the claimant by a government agency.

Some, but not all, subsidized housing is service fee. If the facility pays service fees in lieu of property taxes, compute the credit using 10 percent of the rent paid by the claimant, rather than 23 percent. The claimant may be required to submit a copy of the separate billing or other documentation from the facility verifying the amount of rent paid.

If the facility bills a lump sum for rent and services, the resident may not claim rent but may claim their allocable share of the property taxes assessed on the entire facility.

Nursing Home, Home for the Aged, and Adult Foster Care Home

A permanent resident of a nursing home, home for the aged, or adult foster care home is entitled to a homestead property tax credit based on rent if the facility provides an itemized bill identifying the portion charged for rent and for other services such as food, housekeeping, or personal care. The resident may be required to submit the itemized bill or other documentation from the landlord that shows the amount of rent paid. Only rent paid by the resident can be used to compute the property tax credit.

If the facility bills a lump sum for rent and other services and does not provide an itemized statement identifying the amount of rent, the resident may not claim rent but may claim their allocable share of the property taxes assessed on the entire facility. The resident's allocable share is calculated by dividing the facility's eligible property taxes levied by the number of licensed beds.

If the facility receives a direct payment from a State or federal agency for the care or housing of the resident, then the allocable share may be limited. The resident cannot claim an allocable share that is greater than the charges paid by the resident to the facility.

Example: Mrs. Brown's nursing home charges for the entire tax year were billed in a lump sum of \$12,500 (for rent, food, and other nursing services) to the State of Michigan. Of that sum, \$12,000 was paid directly to the nursing home by the State. Mrs. Brown paid the balance due of \$500.

Mrs. Brown's "allocable share" of property taxes on the nursing home, based on 100 beds and \$60,000 in real property taxes, is \$600. Since Mrs. Brown's total charges paid by her are less than her "allocable share," she may use the lesser amount of \$500 for calculating a property tax credit.

On page 3 of the return, check box 57c and enter \$500 on line 57 as Mrs. Brown's prorated share of taxes. Carry the figure on line 57, \$500, to line 10 on page 1 of the form. Leave line 9 blank and **do not** complete lines 11 and 12.

Room and Board

If the claimant pays room and board in **separate** billings, the claimant must base the credit on the rent. The claimant may be required to submit a copy of the separate billing or other documentation from the landlord showing the amount of rent paid.

If the claimant pays room and board in **one** billing and is unable to identify the portion of the bill that constitutes rent, the credit must be based on a prorated share of the property taxes on the facility. If the landlord does not provide this figure, divide the square footage of the claimant's living space by the total square footage of the facility, and multiply the total taxes on the facility by that percentage.

Special Housing

A claimant who resides in housing where the lease includes meals and other services (housekeeping, laundry, transportation, etc.), must base their credit on only the portion of the bill that constitutes rent. A senior citizen claimant who can identify the amount of rent separately from other charges may claim their credit using the alternate senior method. A claimant may be required to produce a copy of the facility's documentation that identifies the portion of the bill constituting rent to substantiate the claim.

If the claimant is unable to identify the portion of the bill that constitutes rent, the credit must be based on a prorated share of the property taxes on the facility. The facility should provide the claimant with the prorated share of the property taxes for use in the credit calculation.

Cooperative Housing

Use the claimant's share of property taxes on the building. Ask to see a statement from the co-op giving the amount of taxes or percentage of the monthly payment that is considered tax on the claimant's unit. Enter the taxable value on line 9. Check box 57a on page 3 of the return and enter the claimant's prorated share of taxes on line 57. Carry the figure on line 57 to line 10 on page 1 of the return.

If the claimant lives in a co-op where residents also pay rent on the land under the building, they may also claim 23 percent of that land rent. Complete lines 52 and 53 for the land rent on page 3 of the return. Carry the figure from line 53 to line 11 on page 1 of the form. Calculate 23 percent of line 11 and enter on line 12.

Total Household Resources (THR)

THR is the total income of a single person or a married couple who maintain a household. THR includes taxable and nontaxable income as it is federal AGI plus income that is specifically excluded or exempt from the computation of AGI, and increased by the following deductions from federal gross income:

- Any net business loss after netting all business income and loss
- Any net rental or royalty loss
- Any carryback or carryforward of a net operating loss (NOL) as defined in Section 172(b)(2) of the internal revenue code.

(Refer to [*Income and Deductible Items, Summary Chart*](#) later in this publication)

The following is a **partial list** of income and excluded or exempt income that must be included in a claimant's THR:

- Wages, salaries, tips, sick or long-term disability pay, strike or supplemental unemployment benefits (SUB pay)
- Interest and dividend income including nontaxable interest income
- Net business income if greater than zero
- Net royalty or rent income if greater than zero
- Farmland preservation tax credit
- Retirement and pension income, annuity benefits, and IRA and deferred compensation distributions to the extent they are included in AGI
- Rollovers from a traditional IRA to a Roth IRA in the year the income is included in AGI
- The amount of a qualified distribution from a Roth IRA in excess of a taxpayer's contributions to the Roth IRA (i.e. the gains on the principal)
- Capital gains less capital losses (including nontaxable gain from the sale of a home). Losses cannot exceed \$3,000 if single or married filing jointly or \$1,500 if married filing separately
- Alimony received due to a divorce granted prior to 2019
- Child support and foster parent payments
- Social Security, supplemental security income (SSI), railroad retirement benefits and retirement survivors, and disability insurance (RSDI) benefits received by the taxpayer, the taxpayer's spouse, or minor child
- The amount over \$300 of total awards, prizes, lottery, bingo or gambling winnings received during the year
- Unemployment compensation and trade readjustment allowances (TRA) benefits
- The amount over \$300 of total gifts of cash or goods received during the year including all payments made on the taxpayer's or taxpayer's spouse's behalf by relatives, friends, and/or other individuals except government payments made directly to third parties such as an educational institution or housing authority
- Inheritance (except from the death of a spouse) or proceeds of a life insurance policy paid on death of the insured (except from the death of a spouse)
- Scholarships, stipends, grants, and payments made directly to an educational institution, except government payments
- Worker's compensation benefits paid as compensation for personal injuries, sickness, or death, and veteran's payments for disability, pension, or mustering out
- Cash assistance from a Family Independence Program and DHHS benefits not including food assistance
- Cash assistance from the Department of Education for the payment of childcare
- Compensation received for damages to character or for personal injury or sickness
- Death benefits paid by or on behalf of an employer
- Housing allowance for ministers or clergy
- Forgiveness of debt, even if excluded from AGI (for example, mortgage foreclosure)
- Reimbursement from dependent care and/or medical care spending accounts
- Foreign earned income excluded from federal gross income.
- Paycheck Protection Program loan forgiveness

THR **does not include** (partial list):

- Net operating loss (NOL) deductions taken on the federal return
- Payments received by participants in the foster grandparent or senior companion program
- Energy assistance grants or tax credits
- Government payments to a third party (for example, Medicaid payments to a doctor, tuition grants, including GI bill, paid directly to an educational institution by a federal or State agency, and most payments from The Step Forward Michigan program)
- Money received from a government unit such as the Federal Emergency Management Agency (FEMA) to repair or improve the homestead
- Surplus food or food assistance program benefits (e.g. SNAP payments)
- State and city income tax refunds and homestead property tax credits
- Chore service payments (these payments *are* income to the provider of the service)
- The first \$300 from gambling, bingo, lottery, awards, or prizes
- The first \$300 in gifts of cash or merchandise received, or expenses paid on the household member's behalf by parents, relatives, or friends
- Amounts deducted from Social Security or Railroad Retirement benefits for Medicare premiums
- Health and accident insurance premiums the taxpayer or taxpayer's spouse paid for their family's plan
- Employer's contributions to life, accident, or health insurance plans
- Loan proceeds
- Inheritance or life insurance proceeds from the death of a spouse
- Payments from a long-term care policy made to a nursing home or other care facility.
- Economic Impact Payments

Note: *Any net business loss after netting all business income and loss, net rental and royalty loss, and any carryback or carryforward of a net operating loss (NOL) as defined in Section 172 (b)(2) of the Internal Revenue Code, cannot be included in total household resources.*

The following may reduce THR as "Other Adjustments," taken from the adjustments to income portion of *U.S. Schedule 1, Form 1040* (if claimed include a copy of U.S. Schedule 1 with the filed claim):

- Payments made to an Individual Retirement Account (IRA), Keogh (HR10), SEP, or Simple Plans if deducted from federal AGI.
- Student loan interest deduction
- Health savings account deduction
- Medical insurance/HMO premiums claimant paid
- Moving expenses when moving into Michigan (members of the Armed Forces only)
- Deduction for self-employment tax
- Self-employed health insurance deduction
- Penalty on early withdrawal of savings
- Alimony paid if deductible on your U.S. Form 1040
- Educator expenses

The following must be added back to THR:

- Any net business loss after netting all business income and loss.
- Any net rental or royalty loss
- Any carryback or carryforward of a federal net operating loss.

Medical insurance/HMO premiums that the claimant paid are entered separately from “Other Adjustments” (do not include health insurance premiums paid by employee payroll deductions (pre-tax)).

Note: *Any health insurance premiums paid, in whole or in part, by the claimant and not by the employer for both claimant and family are deductible from gross income to arrive at THR (does not include premiums paid with pre-tax employee payroll deductions). The filer may not claim protection insurance premiums for monetary compensation if they acquire a specific disease or become disabled. Also, a deduction may not be taken for insurance premiums covering the cost of nursing home or in-home care. The taxpayer may claim the portion of an auto insurance policy that covers medical coverage.*

Access the instruction booklet for additional information. Refer to Income and Deductible Items, Summary Chart in this publication, for other items which may or may not be included in THR.

THR Calculation

Example 1: For 2025, Judy has wages of \$29,000, nontaxable child support of \$6,000, and a net loss of \$8,000 for the rental of a second home she owns. Judy’s 2025 federal AGI is \$21,000, which is her \$29,000 in wages, less the \$8,000 rental loss.

Judy’s 2025 total household resources are calculated as follows:

AGI	\$21,000
Add back Net Rental Loss	\$8,000
Child Support	\$6,000
Total Household Resources	\$35,000

Example 2: For 2025, Bob and Martha have wages of \$26,000, business income of \$10,000 reported on federal Schedule C, a farm loss of \$12,000 reported on Schedule F, and a rental loss of \$4,000 reported on Schedule E. They have no other taxable or nontaxable income. Bob and Martha’s federal AGI is \$20,000, which consists of \$26,000 in wages, \$10,000 in business income (Schedule C), a \$12,000 farm loss (Schedule F), and a \$4,000 rental loss (Schedule E).

Bob and Martha’s 2025 total household resources are calculated as follows:

AGI	\$20,000
Add back Net Business Loss	*\$2,000
Add back Net Rental Loss	\$4,000
Total Household Resources	\$26,000

*** Business Income \$10,000 – Farm Business Loss (\$12,000) = \$2,000 Net Business Loss.**

Reported THR Lower Than Reported Living Expenses

THR must be sufficient to pay property taxes or rent plus all other living expenses unless there are resources available not reportable in THR. If income appears too low to cover reported living expenses, include an explanation of the extenuating circumstances. General questions may be asked of the taxpayer to obtain additional information.

Example: A taxpayer comes in with W-2s showing total wages of \$7,500 which they claim to be the only income received for the year. They also show you rent receipts totaling \$9,000 and confirm that they have a lease. Upon questioning them, you discover they have three children and claim no other money was received during the year.

The taxpayer spent \$9,000 towards rent but only had income of \$7,500 and would have incurred other living expenses to maintain the household as well.

The following are some questions you might ask the claimant to ascertain other possible sources of income:

- Did you receive ANY other income during the year from other sources, such as child support, loans, cash advances, and/or inheritance?
- Did you receive food stamps or other non-cash assistance during the year?
- Did you share living expenses with anyone else (rent, food, etc.)?
- Did you receive any housing assistance or was your rent subsidized?
 - If yes, inquire as to how much they themselves paid.
- Did you receive gifts of cash or were expenses paid on your behalf by friends, relatives or other members of the community?
- Do you have savings that you are using for living expenses?

State returns suspected to contain false information should be sent to the Treasury Discovery and Tax Enforcement Division, with a note of explanation.

You may call 517-636-4157 with your concerns or you may email or mail your concerns and all pertinent information to:

ReportTaxFraud@Michigan.gov

Discovery and Tax Enforcement
Michigan Department of Treasury
Attn: Fraud Unit
P.O. Box 30140
Lansing, MI 48909

Credit Computation Methods

This section discusses different methods for computing a property tax credit. If the claimant is eligible for more than one method, choose the method that produces the largest credit; the most beneficial method should be assessed each year.

Note: *All filers, regardless of computation method must reduce the computed property tax credit by 10 percent for every \$1,000 (or part of \$1,000) that THR exceeds \$62,500. A property tax credit is not available to any filer whose total household resources exceed \$71,500.*

The credit computation methods are:

- General claimant
- Paraplegic, quadriplegic, hemiplegic, totally and permanently disabled, blind, or deaf persons
- Senior citizen – regular method
- Senior citizen - alternate rent credit method (rent larger than 40 percent of THR)
- Service persons or veterans or their widow(er)
- Blind homeowners
- FIP recipient

General Claimant

Qualifications

This method is available when the claimant or spouse **does not** qualify for any other method or when the taxpayer or spouse **does** qualify for one or more of the other methods, but the other method(s) results in a smaller refund or credit.

Method of Computation

The credit is equal to 60 percent of the amount by which property taxes or 23 percent of the rent paid exceeds 3.2 percent of THR, subject to a credit maximum of \$1,900 and phase-out limitations.

Note: For both examples below THR is \$12,000.

Example 1: Homeowner

2025 Property Taxes Levied	\$1,200
Portion of THR = \$12,000 x 0.032	\$-384
Difference	\$816
Credit = \$816 x 0.60	\$490

Example 2: Renter

2025 Total Rent Paid	\$6,000
Portion of Rent eligible = \$6,000 x 0.23	\$1,380
Portion of THR = \$12,000 x 0.032	\$-384
Difference	\$996
Credit = \$996 x 0.60	\$598

Note: *A general claimant will always apply 3.2 percent to THR, even when the THR is \$6,000 or less.*

Paraplegic, Quadriplegic, Hemiplegic, Deaf, Blind, Or Totally And Permanently Disabled Persons

Qualifications

Refer to *Definitions of Michigan Special Exemptions* section in [Chapter 2](#).

Method of Computation

The credit equals the amount by which property taxes or 23 percent of the rent paid exceeds 3.2 percent of THR, subject to a credit maximum of \$1,900 and phase-out limitations. The 60% reduction does not apply. The following examples illustrate the computation for both the homeowner and the renter.

Note: For both examples below THR is \$11,604.

Example 1: Homeowner

2025 Property Taxes Levied	\$1,200
Portion of THR = \$11,604 x 0.032	\$-371
Credit (\$1,200 - \$371)	\$829

Example 2: Renter

2025 Total Rent Paid	\$6,000
Portion of Rent eligible = \$6,000 x 0.23	\$1,380
Portion of THR = \$11,604 x 0.032	\$-371
Credit (\$1,380 - \$371)	\$1,009

Note: If THR is \$6,000 or less, substitute the 3.2 percent with the lower percentage found in the MI-1040 instruction booklet.

A homeowner who is blind should also complete Form MI-1040CR-2 and submit the form that results in the larger credit.

Senior Citizen - Regular Method For Homeowner Or Renter

Qualifications

A claimant is eligible for this method if either they or their spouse is 65 or over, and they rent or own their homestead.

Method of Computation

For seniors with total household resources of \$21,000 or less, the credit is equal to 100 percent of the amount by which property taxes or 23 percent of the rent paid exceeds 3.2 percent of THR. The credit is reduced by four percent once THR exceeds \$21,000, down to 60 percent of the credit once THR exceeds \$30,000. Lastly, the \$1,900 credit maximum and phase-out limitations apply.

In the following example, the 0.64 used to reduce the balance is taken from “MI-1040CR Table A – Senior Credit Reduction”, based on THR.

Note: For both examples below THR is \$29,360.

Example 1: Homeowner

2025 Property Taxes Levied	\$3,400
Portion of THR = $\$29,360 \times 0.032$	\$-940
Difference	\$2,460
Credit = $\\$2,460 \times 0.64$	\$1,574

Example 2: Renter

2025 Total Rent Paid	\$8,400
Portion of Rent eligible = $\$8,400 \times 0.23$	\$1,932
Portion of THR = $\$29,360 \times 0.032$	\$-940
Difference	\$992
Credit = $\\$992 \times .64$	\$635

Note: If THR is \$6,000 or less, substitute the 3.2 percent with the lower percentage found in the MI-1040 instruction booklet.

Senior Citizen - Alternative Method For Renter (Rent Greater Than 40% Of THR)

Qualifications

A claimant is eligible for this method if they or their spouse is 65 or older, and they rent their homestead.

Method of Computation

The credit is equal to the amount by which the annual rent paid exceeds 40 percent of the THR, subject to a credit maximum of \$1,900. The illustration below compares this method to the regular method for a senior citizen.

Note: For both examples below THR is \$14,000.

Example:

Regular Method

2025 Total Rent Paid	\$8,400
Portion of Rent eligible = $\$8,400 \times 0.23$	\$1,932
Portion of THR = $\$14,000 \times 0.032$	\$-448
Regular Method Credit ($\$1,932 - 448$)	\$1,484

Alternate Method

2025 Total Rent Paid	\$8,400
Portion of THR = $\$14,000 \times 0.40$	\$-5,600
Alternate Method Credit	\$2,800

In this case, the Alternate Method calculation results in the greater credit amount. The credit is limited to a \$1,900 maximum.

Service Persons, Veterans, Or Their Widow Or Widower

Qualifications

A serviceman, servicewoman, veteran, and their widow or widower who owns a home and meets one of the following descriptions is entitled to use a special Taxable Value (TV) calculation and Taxable Value Allowance (TVA) (Form MI-1040CR-2):

1. Veteran with service-connected disability or widow or widower
2. Widow or widower of a veteran deceased in service
3. Veteran of war before World War I or widow or widower
4. Pensioned veteran or widow or widower
5. Active serviceperson or widow or widower
6. Widow or widower of a nondisabled or non-pensioned veteran of Korea, World War II or World War I.

To qualify under categories 3 through 6 above, the claimant cannot have THR greater than \$7,500. FIP/MDHHS benefits must be included in the THR.

Method of Computation - Homeowner

The credit calculation for an eligible serviceman, servicewoman, veteran, widow, or widower is:

$$\text{TVA} \div \text{TV} \times \text{Property Tax} = \text{Credit}$$

The TVA for each category of serviceman, servicewoman, veteran, widow, or widower is provided in the MI-1040CR-2 instruction booklet.

To determine the refundable percentage for TVs, divide the TVA by the TV.

Method of Computation - Renter

The following formula is used to compute the TV:

$$23\% \text{ of Rent Paid}^* \times \text{Combined Non-Homestead Millage Rate of the Locality} = \text{Taxable Value}$$

*Service fee housing residents use 10% rather than 23%

Example: Martin Barnum is a 70 percent disabled veteran. He lived all year in an apartment and paid \$250 per month in rent. The combined county and city millage rate on the property is 56 mills (.056). Mr. Barnum's property tax credit is calculated as follows:

1. Property tax included in rent:

Annual Rent = \$250 x 12	\$3,000
Allowable Rent (Property Tax) = \$3,000 x 0.23	\$690

2. Taxable Value:

$$\text{Property Tax Divided by Combined Millage Rate} = \text{Taxable Value}$$
$$\$690 \div 0.056 = \$12,321$$

3. TVA

A 70 percent disabled veteran has a TVA of \$4,000 (refer to Form MI-1040CR-2 instruction booklet).

4. Percent of taxes refundable

$$\text{TVA} \div \text{TV} = \text{refundable portion of taxes}$$

$$\$4,000 \div \$12,321 = 32.46\%$$

5. Property Tax Credit:

$$23\% \text{ of Annual Rent} \times \text{percent of refundable taxes} = \text{Allowable Credit}$$

$$\$690 \times 0.3246 = \$224$$

Blind Person

Qualifications

To use the following method, a person must qualify as blind under Michigan Compiled Law (MCL) 206.504(1). Generally, this is vision of 20/200 or less in the better eye with corrective lenses, or peripheral field vision of 20 degrees or less.

Method of Computation

The credit calculation for a blind person is:

$$\text{TVA} / \text{TV} \times \text{Property Tax} = \text{Credit}$$

The TVA for the following categories of blindness is:

Claimant	TVA
Blind individual	\$3,500
Husband and wife (one blind)	\$3,500
Husband and wife (both blind)	\$7,000

A blind claimant who is a homeowner may use the TVA/TV method. A blind claimant who is a renter may **not** use Form MI-1040CR-2.

Public Assistance/ Michigan Department Of Health And Human Services Benefits Recipient

Qualifications

An individual whose only income is from Michigan Department of Health and Human Services (MDHHS) is not eligible for a homestead property tax or rent credit. Assistance payments include FIP and State Disability Assistance (SDA). A taxpayer who received other income in addition to these benefits may be eligible to file for the credit.

Method of Computation

Prorate the credit for an MDHHS recipient by using the ratio (percentage) of non-MDHHS income to total THR. To prorate the credit, use the information from your form to complete “*MI-1040CR Worksheet 4: FIP/MDHHS Benefits*” in the MI-1040 instruction booklet.

Example: Jane Canton earned wages of \$4,000 and received MDHHS payments of \$6,000 during the tax year. She will receive a credit equal to 40 percent of the calculated property tax credit.

$$\text{Non MDHHS Income (Wages)} \div \text{THR} = \text{percent of credit allowed}$$

$$\$4,000 \div \$10,000 = \mathbf{40\%}$$

If her property tax or rent credit computed to \$400, she would receive a reduced credit of \$160 (\$400 x 40%).

Child Support

Subtract child support payments included in the MDHHS benefits from the amount on the MDHHS statement when calculating the non-MDHHS income. Include the child support as other income when computing the ratio of non-MDHHS income to total THR.

Example: Jane Canton informs you that she has wages of \$4,500, MDHHS payments of \$6,000 which includes child support. She should obtain a Fourth Quarter child support statement from the Friend of the Court indicating the amount of child support (rebates) paid. Assume the statement indicates the father of the children paid \$2,000 in child support, the percentage is computed as follows:

Total MDHHS Payments	\$6,000
Less Child Support from Friend of the Court Statement	\$2,000
Remaining MDHHS Income	\$4,000

Wages + Child Support ÷ THR = percent of credit allowed

$$\$6,500 (\$4,000 + \$2,000) \div \$10,500 = \mathbf{62\%}$$

In this example, Jane can claim 62% of the credit. The following three items would be entered on the total household resources schedule (lines 14-27)

Wages	\$4,500
FIP/MDHHS	\$4,000
Child Support	\$2,000
Total THR	\$10,500

Include the annual statement from Friend of the Court, FEN-851, and, if available, a copy of the annual statement from MDHHS with Form MI-1040CR or MI-1040CR-2, whichever is being completed. The FEN-851 form may be attached as a PDF to an e-filed return.

Special Situations

Married - Joint Filers, Separate Homesteads

A claimant may file for one 12-month period. If a married couple files a joint return, they are considered one claimant and must file a joint property tax credit even when they maintain separate homesteads. They may claim the property taxes levied or rent paid on only one homestead and must include their total combined THR.

Married - Separate Filers, Joint Homestead

If a married couple file separate federal and Michigan returns and maintain a joint homestead they must:

1. Enter combined THR.
2. Enter total property taxes and/or rent paid for the year.
3. Split the credit between spouses.
4. Include a copy of the CR form with each return.

Example: Jason and Ruth Gordon (husband and wife) maintain one homestead at 111 Main Street, Anytown, Michigan. They filed separate federal and Michigan income tax returns. Their only income is wages. Jason earned \$35,000 and Ruth earned \$17,500. Property taxes on their home are \$2,525. If they are considered general claimants, the correct homestead property tax credit is computed as follows:

Jason's Wages	\$35,000
Ruth's Wages	\$17,500
Combined THR	\$52,500
Property Taxes Levied	\$2,525
Less 3.2% of THR (0.032 of \$52,500)	-\$1,680
Property Tax Eligible to Claim	\$845
Portion available to general claimant (60%)	x 0.60
Total Homestead Property Tax Credit	\$507

The total of the Gordons' property tax credit cannot exceed \$507. If the Gordons elect to split the credit evenly, include a copy of the claim showing each spouse's share of the credit with each income tax return.

Married - Separate Filers, Separate Homesteads

If a married couple file separate federal and Michigan returns and maintain separate homesteads for the entire year, they must:

1. Determine that each spouse has established their own separate Michigan domicile (permanent home). Refer to the *Who May Claim a Property Tax Credit* Section in the Form MI-1040 instruction booklet.
2. Separately compute their own THR.
3. Claim only the property taxes and/or rent paid on their own homestead.

Divorced or Separated Filers

If a married couple separates or obtains a divorce during the year, each party usually establishes a separate homestead. The rules for determining homestead property tax credit for each claimant are:

1. Each claimant is entitled to claim a prorated share of the taxes or rent paid for the period they shared a homestead prior to separation or divorce, based on each claimant's income to total income for the period.
2. In addition, each claimant is entitled to claim their own prorated property tax or rent paid after separation or divorce.
3. If applicable, a claimant must include house payments or rent paid by the other claimant in THR.

Example: A husband and wife separated on May 1. The property taxes on the marital home are \$1,800. The husband continued to pay the mortgage on the home of \$500 per month. In addition, he rented an apartment for \$600 per month from May 1 through December 31. His income for the period prior to divorce is \$16,000, and her income is \$9,000.

Husband:

1. Prorated Property Tax for Period Living Together Prior to Separation

Ratio of Months in Year Lived with Spouse

$$4 \div 12 = 0.333$$

Ratio x Property Tax = Prorated Property Tax

$$0.333 \times \$1,800 = \$599$$

Husband's Income \div Total Income of Both Spouses

$$\$16,000 \div \$25,000 = 0.64$$

Prorated Property Taxes x Income Ratio = Property Taxes Eligible to be Claimed for Period Prior to Separation

$$\$599 \times 0.64 = \$383$$

2. Property Tax in Rent

Number of Months Rented x Monthly Rent x 23%

$$8 \times \$600 \times 0.23 = \mathbf{\$1,104}$$

3. Eligible Property Taxes and Tax in Rent

$$\$383 + \$1,104 = \mathbf{\$1,487}$$

Wife:

1. Prorated Property Tax for Period Living Together Prior to Separation

Ratio of Months in Year Lived with Spouse

$$4 \div 12 = 0.333$$

Ratio x Property Tax = Prorated Property Tax

$$0.333 \times \$1,800 = \$599$$

Wife's Income ÷ Total Income of Both Spouses

$$\$9,000 \div \$25,000 = 0.36$$

Prorated Property Taxes x Income Ratio = Property Taxes Eligible to be Claimed for Period Prior to Separation

$$\$599 \times 0.36 = \$216$$

2. Prorated Property Tax for Period after Divorce

Remainder of Months in the Year x Total Property Taxes

$$8 \div 12 (0.667) \times \$1,800 = \mathbf{\$1,201}$$

3. Total Eligible Property Taxes

$$\$216 + \$1,201 = \mathbf{\$1,417}$$

Note: The wife must include \$4,000 in THR because her husband paid the monthly mortgage payments of \$500 for eight months after the separation ($\$500 \times 8 = \$4,000$).

Form 5049 - Married Filing Separately and Divorced or Separated Claimants Schedule

Form 5049 Worksheet for Married Filing Separately and Divorced or Separated Claimants is required to be included when:

- The claimant and spouse are married filing separately and maintained separate homesteads for the entire tax year.
- The claimant and spouse are married filing separately and shared a homestead for the entire tax year.
- The claimant and spouse married during the tax year, are married filing separately, and maintained separate homesteads for part of the year.
- The claimant and spouse separated or divorced in the tax year and maintained separate homesteads for part of the year.

Part-Year Resident

If the claimant resided in Michigan for at least six months of the year of the claim:

- Enter THR received during the time claimant resided in Michigan. It may be necessary to annualize THR to determine if income exceeds phase-out limit. Refer to Annualized Total Household Resources in this chapter.
- Enter rent paid or prorated property tax for length of time claimant occupied a Michigan homestead. Refer to Homeowner, Part-Year for proration of property tax in this chapter.
- The maximum credit limit of \$1,900 shall be reduced proportionately based on days of occupancy for part-year occupancy. Refer to *Maximum Credit Limit for Deceased Taxpayers* in this chapter.

Note: Business income and /or losses that occurred in another state must be included in Michigan THR, based on the ratio of the number of days the claimant was a Michigan resident to 365 days.

Deceased Claimant, Single Individual

If filing for a deceased claimant with no surviving spouse:

- Enter THR received up to the date of death. Refer to Annualized Total Household Resources in this chapter.
- Enter prorated property taxes or use the amount of rent paid to decedent's date of death.
- The maximum credit limit of \$1,900 shall be reduced proportionately based on days of occupancy for part-year occupancy. Refer to *Maximum Credit Limit for Deceased Taxpayers* in this chapter.

Note: The heir, personal representative, or person (other than spouse) filing for a decedent must file Form MI-1310 with the claim. This form may be attached as a PDF to an e-filed return.

Annualized Total Household Resources

A property tax credit claim made by a part-year resident or on behalf of a deceased taxpayer (unless claimed by surviving spouse) requires annualization of the THR to determine if their annualized THR:

1. Exceeds the threshold of \$71,500, which phases out a property tax credit, **or**
2. May require a senior citizen or a totally and permanently disabled person to use a higher percentage of THR to determine the nonrefundable portion of property taxes.

In the final computation, only the claimant's actual THR is used.

To annualize THR, compute income as follows:

Number of Days in the Year ÷ Number of Days in Michigan = Annualized Rate

Annualized Rate x Michigan Sourced THR = Annualized Income

Example: A claimant and spouse were residents of Michigan for 212 days of the tax year and had THR of \$38,844 during their Michigan residency. Compute their annualized income as follows:

$$365 \div 212 = 1.722$$

$$1.722 \times \$38,844 = \$66,889$$

Annualized income is used to determine limits and phase-out percentages. In this case, the claim would be subject to a 50% phase-out (refer to phase-out in this chapter). However, their actual THR of \$38,844 would be used when computing the amount of the credit.

Maximum Credit Limit for Deceased Taxpayers

For most claimants, the maximum credit limit is \$1,900. But, if a part-year credit is being filed (for a deceased taxpayer), the maximum credit of \$1,900 shall be reduced proportionately based on days of occupancy.

To reduce the maximum credit limit of \$1,900 proportionately based on days of occupancy:

Step 1: Divide the number of days of occupancy the taxpayer was a Michigan resident by the number of days in the year.

Step 2: Multiply \$1,900 by the result from Step 1. The result is the maximum credit.

Example: Jane was a senior citizen who passed away on May 15th and paid rent. Using Jane's total household resources and 5 months of rent, her credit computes to \$425 using the regular method for senior citizens. However, Jane qualifies to compute the Alternate Property Tax Credit for Renters Aged 65 or Older. Using the Alternate Property Tax Credit for Renters Aged 65 or Older, the credit computes to \$750.

$$\text{Step 1: } 135 \text{ days} \div 365 \text{ days} = 0.37$$

$$\text{Step 2: } \$1,900 \times 0.37 = \$703$$

Jane's \$750 computed credit exceeds her maximum allowed credit of \$703, therefore, \$703 is entered on line 44 of her MI-1040CR.

Owner-Occupied Rental Property

If a claimant owns and lives in a multiple dwelling homestead and rents a portion of it, not all the property tax can be claimed for credit.

Note: *School operating taxes are only levied on the non-homestead portion of the property and may not be included in taxes levied when computing the property tax credit.*

Owner-occupied duplexes

When both units are equal, the taxes that can be claimed are limited to 50 percent of the property tax on both units, after subtracting the school operating taxes from the total taxes billed. This method is also followed for homeowners whose principal residence exemption (PRE) is 50% or less.

Owner-occupied income property

Apartment building owners who live in one of the units or single-family homeowners who rent a room(s) to a tenant(s) must do two calculations to figure the property tax they can claim and base their credit on the **lower** amount. First, subtract 23 percent of the rent collected from the property tax that can be claimed for credit. Second, reduce the property tax claimed for credit by the amount of property tax claimed as a business deduction on *U.S. Form 1040*. This method is also followed for homeowners whose PRE is 51% or above.

Example: A home has an upstairs apartment that is rented to a tenant for \$395 a month. Total property taxes on the home are \$2,150. The calculations are as follows:

Step 1: $\$395 \times 12 =$ $\$4,740$ Annual Rent
 $\$4,740 \times 0.23 =$ $\$1,090$ Taxes Attributable to the Apartment
 $\$2,150$ Total Taxes - $\$1,090 =$ $\$1,060$ Taxes Attributable to Owner's Homestead

Step 2: $\$2,150$ Total Taxes - $\$858$ Taxes Claimed as a Business Deduction by the Owner on their Federal Income Tax Return = $\$1,292$ Taxes Attributable to Homestead

The owner may claim \$1,060 of property taxes for the credit, the smaller of the two computations.

Adults Sharing a Homestead

Two or more unrelated adults may be entitled to claim a property tax credit as explained next.

1. If one of the individuals signed the lease and makes all payments or owns the homestead and pays the property tax, only that adult is considered a claimant and entitled to claim a credit on the total property tax or rent paid.

If the other person(s), who is not considered a claimant, contributes to the household, the amount contributed must be included in the claimant's THR. Include it as gifts received or expenses paid on the claimant's behalf.

OR

2. If each of the adult occupants owns the homestead or is contracted to pay a share of the rent, each is a claimant, and each is entitled to file a claim based on their own THR and their share of the taxes or rent paid.

Example: A claimant owns and occupies a homestead that she shares with her two adult children. Neither child paid rent or room and board, but both contribute to their mother's total household resources. Since the children are not owners of the home nor did they contract to pay rent, they are not claimants. The mother is entitled to claim all the property taxes when computing her homestead property tax credit. She must include the children's contributions in THR as gifts received, or expenses paid on her behalf.

CHAPTER 4 – HOME HEATING CREDIT (FORM MI-1040CR-7)

General Information

Introduction

A home heating credit helps low-income families pay their heating costs. This credit is claimed on Form MI-1040CR-7.

Note: *Michigan’s home heating credit is funded by federal Low-Income Home Energy Assistance Program Grants. The credit may be reduced if the grant from the Low-Income Home Energy Assistance Program has been reduced.*

Do not attach Form MI-1040CR-7 to Form MI-1040. The home heating credit cannot offset an income tax liability. If Form MI-1040CR-7 is attached to Form MI-1040, it may cause delays in processing the credit.

Under **Public Act 335 of 2004** for certain claimants, the amount of a credit that exceeds outstanding heating bills must be applied by the energy provider to subsequent bills until used up or until nine months has passed. If there is any remaining energy draft amount after the nine-month period (or if the claimant is no longer a customer of the provider before the end of the nine-month period), the heating fuel provider must remit payment to the claimant within 14 days. This applies only if the claimant was an MDHHS recipient or received home heating assistance from a governmental agency or a nonprofit organization 12 months prior to remitting an energy draft to the claimant’s enrolled heating fuel provider.

As a result of this legislation, taxpayers who receive their heat from DTE Energy, Consumers Energy, or SEMCO Energy will have their home heating credit sent directly to their heat provider whether or not they are enrolled in MDHHS’s direct payment program.

Instructions

Read the MI-1040CR-7 instruction booklet. The following information will recap and/or further explain the instructions in the booklet (“Instructions” refers to the booklet used to prepare Form MI-1040CR-7).

When To File A Claim

A home heating credit claim must be filed by **September 30** of the year following the year of the claim. Extension requests are not valid nor can a claim be filed for a prior year.

Eligibility

Who May Claim a Credit

A credit may be claimed if each of the following is true for the tax year:

- Taxpayer's permanent home is located in Michigan.
- Taxpayer owned or rented the home where they lived.
- Taxpayer's total household resources (THR) are within the income limits listed in the MI-1040CR-7 instruction booklet.

Who May Not Claim a Credit

A home heating credit cannot be claimed if:

- Taxpayer was a full-time student claimed as a dependent by another person.
- Taxpayer was a resident of a licensed congregate care facility (e.g., nursing home, adult foster care home, home for the aged, substance abuse center, etc.).

Exceptions: A claimant who did not reside in a licensed congregate care facility for the full tax year may claim a home heating credit based on a proration of the standard allowance. If the claim is for less than 12 months, only the standard credit method can be used.

If one spouse lived in a licensed congregate care facility and the other spouse lived in the family homestead, they may still qualify for a credit.

Identifying Information

Do not mark through, cross out, etc., any box that does not apply to the claimant. Instead, leave the box blank.

Heat Provider And Heat Type Code

Enter the heat provider name code and heat type code from the MI-1040CR-7 instructions.

Filing Status

Check the applicable box for the claimant's filing status as of the end of the tax year. Refer to the instruction book for further details.

Residency Status

Check all applicable boxes, if one spouse is a resident and the other spouse a nonresident or part-year resident, check the appropriate box for each spouse.

How Much Were You Billed For Heat?

Enter total heating costs for November 1, 2024, through October 31, 2025, on the applicable line. If the taxpayer's heating bill does not indicate the amount, the taxpayer should call their heat provider.

Leave this line blank if the claimant:

- Checked the box indicating that heating costs are included in their rent.
- Died during the tax year and is not filing a joint claim
- Was a part-year resident
- Was not billed for 12 months of heating costs between November 1, 2024, and October 31, 2025.

Care Facility

Check one box only (a–d) on line 15 if the claimant lived in a licensed care facility for the entire tax year. Do not check a box if the taxpayer is filing a joint return and only one spouse lived in a care facility.

Exemptions

Enter the number that applies on the appropriate line using the following definitions:

- a. Personal Exemption. (Claimant and spouse.)
- b. An exemption(s) may be entered for the claimant, spouse, and each dependent of the claimant who is:

- Deaf – Defined as an individual whose hearing is totally impaired or whose hearing, with or without amplification, is so seriously impaired that the primary means of receiving spoken language is through other sensory input, including but not limited to lip reading, sign language, finger spelling, or reading).
- Disabled – Hemiplegic, paraplegic, quadriplegic, or totally and permanently disabled. Totally and permanently disabled means disabled as defined under the Social Security Guidelines (Refer to Title 42 § 416 of the U.S. Code).

Note: An exemption for totally and permanently disabled cannot be claimed on the home heating credit for a claimant, spouse, or dependent who is 66 years of age or older by February 28, 2025.

- Blind – Defined as a permanent impairment of both eyes of the following status: central visual acuity of 20/200 or less in the better eye with corrective glasses, or central visual acuity of more than 20/200 if there is a field defect in which the peripheral field has contracted to such an extent that the widest diameter of visual field subtends an angular distance of not greater than 20 degrees in the better eye.
- c. Qualified Disabled Veteran – Veteran with a service-connected disability. Defined as a veteran of the active military, naval, marine, coast guard, or air service who received an honorable or general discharge and has a disability incurred or aggravated in the line of duty as described in 38 U.S.C. § 101(16).

d, e, f. Enter number of children that lived with the claimant:

- An exemption **can** be claimed on Form MI-1040CR-7 for any child(ren) that lived with the claimant.

- An exemption **cannot** be claimed on Form MI-1040CR-7 for any child(ren) that did **not** live with the claimant, even if the claimant paid most of the support and is entitled to an exemption(s) on Form MI-1040.
- g. Enter the number of dependent adults other than claimant's spouse who lived with the claimant (including child(ren) over 18) **and for whom the claimant provided more than half of the dependent's support.**

Demographic And Household Member Information

Effective for tax year 2025, the LIHEAP program now requires that additional demographic information for the claimant, spouse, dependents, and other household members be included on the home heating credit claim.

A household member is anyone living with you that is not listed as an exemption on line 15. Refer to the instruction booklet for further details. If more space is needed, complete the *Michigan Home Heating Credit Claim MI-1040CR-7 Supplemental* (Form 4976).

The following information **must** be listed:

- Name
- Social Security Number
- Age in years (enter 1 if less than one year of age)
- Ethnicity Code
- Race Code
- Gender Code

Check each box to indicate if the filer and, if applicable, spouse, dependent or household member is a U.S. citizen or qualified alien. Qualified alien means an individual who is lawfully admitted for permanent residence under the Immigration and Nationality Act and all others as defined under 8 USC 1641.

Computation

Total Household Resources (THR)

Total household resources (THR) is the total income of a single person or a married couple who maintain a household. It is made up of taxable and nontaxable income. It is the federal adjusted gross income (AGI) plus income that is specifically excluded or exempt from the computation of AGI, and increased by the following deductions from federal gross income:

1. Any net business loss after netting all business income and loss
2. Any net rental or royalty loss
3. Any carryback or carryforward of a net operating loss (NOL) as defined in Section 172(b)(2) of the internal revenue code

Example 1: Mr. and Mrs. Smith have total wages of \$7,500 and interest of \$250. Federal AGI was \$7,750. Mrs. Smith receives child support of \$3,500 (which is not taxable) from a previous spouse. THR is \$11,250.

Example 2: Ms. Jones has a rental loss of \$1,350, retirement benefits of \$2,400, and nontaxable Social Security benefits of \$12,084. Her federal AGI was \$1,050. THR is \$14,484.

Standard Credit Or Alternate Credit Computation: Which Method To Use

A standard credit is computed based on the number of exemptions and THR.

The alternate credit is computed based on THR and total heating costs.

A claimant must use the standard credit if:

- they were not contracted to pay heating costs during the tax year.
- they are not currently contracted to pay heating costs.
 - For example, if the claimant lives in a condominium or apartment and heating costs are included in their rent.
- they were a part-year resident or are filing on behalf of a taxpayer who died in 2025.
- they are unable to separate heating costs from other charges on their utility bills.

If the claimant contracts to pay for heating costs, calculate both methods and claim the larger credit.

Standard Credit Computation For 2025

The standard credit computation is based on the number of exemptions and THR.

First, the number of exemptions is used to determine the standard allowance from the table below (the table is also located in the MI-1040CR-7 instruction booklet):

Exemption	Standard Allowance	Income Ceiling
0 or 1	\$604	\$17,243
2	\$815	\$23,271
3	\$1,027	\$29,329
4	\$1,239	\$35,385
5	\$1,451	\$41,443
6	\$1,662	\$47,471
Over 6	+ \$212 for each additional exemption	+ \$6,057 for each additional exemption

Example: If eight exemptions are claimed, the standard allowance for 2025 is \$2,086.

$$2 \times \$212 = \$424 + \$1,662 = \$2,086$$

IMPORTANT: Heating credits may be prorated because the amount of money Michigan receives from this federal grant varies every year. The proration percentage can be found on the MI-1040CR-7, line 45.

Renter

If claimants are renters and heating costs are **currently** included in their rent, the standard home heating credit is reduced by 50 percent.

Michigan Resident, Full-Year

The following example illustrates how to compute the credit for full-year residents based on the above table. The table can also be found in the MI-1040CR-7 instruction booklet. If the eligible claimant's THR exceeds the income ceiling corresponding to the number of exemptions allowed on the home heating credit claim, the individual is not eligible for a credit.

Example: John and Mary Smith (a married couple), both 65 years of age, had total household resources of \$17,800. Mary was totally and permanently disabled at the end of the tax year. They are entitled to three exemptions on their Home Heating Credit claim.

Standard Allowance for 3 Exemptions	\$1,027
Less 3.5% of THR (0.035 x \$17,800)	-\$623
Home Heating Credit	\$404 (subject to possible proration)

If John and Mary rented their homestead and heating costs were included in their rent, the credit would be computed as follows:

Home Heating Credit (from above)	\$404
Reduce credit by 50% (\$404 x 0.50)	\$202
Reduced Home Heating Credit	\$202

Part-Year Resident or Deceased Claimant

The standard allowance is prorated and only the THR received while the claimant was a Michigan resident is used to compute the credit.

The general formula for proration is as follows:

$$(\text{Number of Days in Michigan} / 365 \text{ Days}) \times \text{Standard Credit Allowance} = \text{Prorated Standard Allowance}$$

Example: John and Mary Doe (a married couple) moved their permanent home to Michigan on May 1 and resided there the remainder of the year (245 days). They have four children which entitles them to a total of six exemptions. Their Michigan-sourced THR is \$24,500.

Prorated Allowance: $(245/365 = 67\% \times \$1,662)$	\$1,114
Prorated Allowance less 3.5% of THR	- \$858
Home Heating Credit (subject to possible proration)	\$256

If John and Mary Doe rented their homestead and heating costs were included in their rent, the home heating credit would be reduced by 50%

Home Heating Credit (from above)	\$256
Reduce credit by 50% $(\$256 \times 0.50)$	\$128
Reduced Home Heating Credit (subject to possible proration)	\$128

Adults Sharing a Homestead

If a claimant **shares** a home but is **not** the owner or did **not** have a lease agreement to pay rent, they cannot claim a credit.

When people who are not spouses **own or rent a home jointly**, each can claim a home heating credit based on their individual THR and share of the standard allowance. Determine the standard allowance from Table A in the MI-1040CR-7 instruction booklet, using the total number of personal exemptions in the home. Do **not** include Michigan special exemptions or dependent exemptions in this total. Divide the standard allowance by the number of claimants in the home.

Example: Three unrelated adults share an apartment. Each has a signed lease and pays 1/3 of the rent. The standard allowance for three exemptions is \$1,027. Each person must use a standard allowance of \$342 $(\$1,027 \div 3)$ to compute their credit.

If eligible for a dependent exemption or for a special exemption for deafness, blindness, disability, or qualified disabled veteran, compute the standard allowance following this example.

Example: Sisters Emma and Ruth share a home. Emma is age 61 and Ruth is age 63 and blind. They file separate Form MI-1040CR-7 claims. They must first divide the \$815 standard allowance by 2. Emma’s allowance is \$408. However, Ruth qualifies for an extra exemption for blindness. She adds to her share of the standard allowance of \$408 the difference between the standard allowance for three (\$1,027) and the standard allowance for two (\$815) as follows:

$$\$1,027 - \$815 = \$212 + \$408 = \$620 \text{ Allowance for Ruth}$$

The claimants in these situations may want to include a letter of explanation when more than one individual is claiming a credit for the same address.

Condominium Owner

The owner of a condominium, who does not contract separately for heating costs but pays a maintenance fee, does not reduce their claim to 50 percent. Leave box 10 blank, do not make an entry on line 41, and include a letter of explanation.

Alternate Credit Computation For 2025

The alternate credit computation is based on THR and total heating costs.

A claimant’s THR may not exceed the maximum income amount corresponding to the number of exemptions claimed on the form based on the following table. (Table B in the MI-1040CR-7 instruction booklet.):

Exemptions	Maximum Income
0 or 1	\$18,592
2	\$25,018
3	\$31,449
4 or more	\$34,227

Heating Costs

A claimant must report their total heating costs for the 12 consecutive monthly billing periods ending in October of the tax year. A claimant should contact their enrolled heating provider for this information. If claimant is not a customer of an enrolled heating fuel provider, use billing statements to calculate the total cost for the 12 consecutive months ending in October of the tax year. Enter the total heat cost or the maximum allowed for the credit, whichever is less.

Heating costs include amounts paid for fuel oil, electricity (if homestead has electric heat), gas, coal, wood, or propane. The cost of wood is the amount spent during the 12 consecutive months ending sometime in October of the tax year or the fair market value if harvested from property owned by the claimant.

Michigan Resident, Full-Year

The following example illustrates how to compute the alternate credit for a full-year resident based on Table B in the MI-1040CR-7 instruction book.

Example: James and Jean Smith (a married couple) have THR of \$21,000 and three exemptions. Their total heating costs were \$2,650 from November 1, 2024, to October 31, 2025. Their THR does not exceed the maximum income allowed for 3 exemptions.

Fuel Cost	\$2,650
Less 11% of THR (0.11 x \$21,000)	-\$2,310
Balance	\$340
Multiply by 70%	x 0.70
Home Heating Credit	\$238 (subject to possible proration)

Part-Year Resident or Deceased Claimant

The alternate credit is not available for part-year residents or deceased claimants who died during the tax year. If the claim is for less than 12 months, use the standard credit computation.

Adults Sharing a Homestead

If a claimant **shares** a home but is **not** the owner or did **not** have a lease agreement to pay rent, they cannot claim a credit.

When people who are not spouses **own or rent a home jointly**, each can claim a home heating credit based on individual THR.

If the heating costs are in the names of all those who share the homestead divide the heating costs by the number of claimants in the home and enter that amount in box 13. Complete both the standard credit and alternate credit computations on page 2; the claimant's credit is the greater of the two calculations. Use the shared housing standard allowance when computing the standard credit.

Credit Payments Energy Drafts Or Warrants (Checks)

If, at the time of filing, the claimant is contracted to pay their own heating costs, the taxpayer will receive an energy draft that can be remitted to their heat provider.

For claimants whose heat is provided by DTE Energy, Consumers Energy, or SEMCO Energy, the home heating credit will be sent directly to the heat provider. If the credit amount exceeded the heat account balance, check the box on line 18 to receive a refund from the heat provider for the overpayment, if eligible. If not eligible, the excess refund will be used toward future bills. If after nine months there is still unused funds from the heat credit, the heat provider will send the excess refund to the individual. Eligibility requirements are: 1) no outstanding balance with the heat provider **and** 2) no heat assistance received in the past 12 months.

If, at the time of filing, the claimant's heat is included in rent, the taxpayer will receive a check.

Direct Deposit

Claimants who receive the home heating credit payment as a check may choose to have the credit payment direct deposited. Direct deposit information for a Home Heating Credit claim is entered on Form MI-1040CR-7. Ask for proof of the claimant's RTN (routing number) and account number. It is important to enter all direct deposit information accurately.

CHAPTER 5 – ADDITIONAL INFORMATION

Taxability Of Federal Obligations

Income from certain U.S. Obligations, reduced by any expenses in carrying the obligation used in arriving at federal AGI, can be subtracted on the Michigan return.

The following U.S. Obligations are exempt from Michigan Individual Income Tax:

- U.S. Government Bonds
- U.S. Savings Bonds – Series EE, HH, and I
- U.S. Government Certificates
- U.S. Treasury Bills and Notes

Note: Treasury Bill Futures are not U.S. Obligations

Obligations issued by the following U.S. Agencies are exempt:

Banks for Cooperatives	Central Banks for Cooperatives
Commodity Credit Corp.	Consolidated Bonds
Consolidated Discount Notes	Consolidated System Bond, Series L
Consolidated Systemwide	Discount Notes
District of Columbia	Farm Credit Banks
Farmers Home Corp.	Federal Deposit Insurance Corp (FDIC)
Federal Farm Bank	Federal Farm Loan Corp.
Federal Farm Mortgage Corp.	Federal Financing Banks
Federal Home Loan Banks	Federal Intermediate Credit Banks
Federal Intermediate Credit Corp.	Federal Land Banks
Federal Land Banks Association	Home Owner's Loan Corp.
Joint Stock Land Banks	Maritime Administration
Production Credit Association	Obligations of U.S. Territories/Possessions
Small Business Administration	Student Loan Marketing Association
Tennessee Valley Authority (bonds only)	U.S. Housing Authority
U.S. Maritime Commission	U.S. Postal Services (bonds only)
Federal Housing Administration (General Insurance Fund Debentures)	

The following debentures issued under the General Insurance Fund are exempt:

Armed Services Housing Mortgage Insurance	Mutual Mortgage Insurance Fund
National Defense Housing Insurance	Rental Housing Insurance
Rental Housing Mortgage Insurance	War Housing Insurance Fund

Note: Income from exempt U.S. Obligations received by the taxpayer through Money Market Funds, Money Market Certificates, Mutual Funds, Trusts, etc., generally qualifies for a subtraction.

Treasury Bill Futures are not U.S. obligations.

The following is organization debt that is taxable:

- Building and Loan Associations (Thrifts)
- Credit Union Share Accounts
- Export/Import Bank of Washington, D.C.
- Federal Home Loan Mortgage Corporation (Freddie Mac) mortgages and other securities
- Federal Housing Administration
- Federal National Mortgage Association (Fannie Mae) participation and other instruments (debentures, notes, and participation certificates)
- Federal Savings and Loan Associations
- Government National Mortgage Association (Ginnie Mae) (debentures, notes, and participation certificates)
- International Bank for Reconstruction and Development (World Bank)
- Philippine Bonds
- Rural Development Insurance Fund
- U.S. Government Insured Merchant Marine Bonds

Other obligations that are taxable:

- Debentures issued to mortgages or mortgages foreclosed under the provisions of the National Housing Act
- Federal Home Loan Time deposits
- Government National Mortgage Association participation certificates and on Federal Home Loan Mortgage Corporation participation certificates in mortgage pools
- Interest-bearing certificates issued in lieu of tax-exempt securities (such that income loses its identity when merged with other funds)
- Participating loans in the Federal Reserve System for member banks (Federal Funds)
- Promissory notes of a federal instrumentality
- Repurchase agreements
- U.S. Postal Service Certificates and savings deposits

For additional information, refer to RAB 2020-22 Part 1: Income Tax – Tax Exempt Status of Income from United States Obligations for Individuals and Fiduciaries.

Income Allocation Chart

The following chart may be used to determine which types or sources of income are taxable to Michigan. This chart is not inclusive of all types of income but reflects the most common. Some types of income may be covered in more detail in Treasury’s most current RABs available on the “Reports and Legal Resources” page on Treasury’s website.

Type of Income	Allocate To
Salaries, wages, tips, director fees, commissions, etc.	State where earned and state of residence. A Michigan resident may be entitled to a credit if income is also taxed by another state. Exception: Residents of reciprocal states are not taxed by Michigan on this type of income and vice versa.
Deferred compensation: 1. Principal portion 2. Interest portion	State of residence when received.
Dividends and interest	State of residence. Exception: If earned by a partnership or S corporation, allocate or apportion to the state of the business activity if business income.
Business income or loss (Schedule C)	State where business activity takes place. Business income attributable to Michigan and one or more states must be apportioned. (Form MI-1040H.)
Partnerships, S corporations, or other flow-through entities income or loss: 1. Ordinary business income or loss (Schedule E) 2. All other business income or loss 3. Nonbusiness income or loss	1. State where business activity takes place. 2. State where business activity takes place. 3. State of residence.
Capital gain or loss (Schedule D or 4797): 1. Intangible personal property such as stocks, bonds, commodities, futures, etc. 2. Section 1231 3. Real property	1. State of residence unless business income. 2. State where the property is located unless business income. 3. State where real property is located unless business income.
Pension, retirement, annuity, qualifying IRA distributions, and Social Security benefits	State of residence when received.

Type of Income	Allocate To
Rent and royalty income or loss (Schedule E): <ol style="list-style-type: none"> 1. Tangible and intangible personal property 2. Real property (includes royalties for minerals which came from real property such as oil and coal) 	<ol style="list-style-type: none"> 1. Michigan if used in this state, or if a resident and not taxable in the state where property is used. 2. State where real property is located unless business income.
Estate or trust income or loss	Look to type and source of income and apply guidelines in this chart.
Farm income or loss (Schedule F)	State where farm is located.
Unemployment compensation	State of residence.
Alimony and state and local refunds	State of residence when received.
Gambling winnings from casinos and licensed horse tracks located in Michigan, and winnings from raffle, bingo, and prizes won in Michigan.	State where earned and state of residence. (Michigan Lottery won by nonresidents is taxable in Michigan.)

Income And Deductible Items, Summary Chart

Notes: No = Not included

Yes = Included

AGI = Adjusted Gross Income

THR = Total Household Resources

Income Items	AGI	Michigan Taxable Income	THR
Alimony received for all divorce or separation agreements executed prior to January 1, 2019	Yes	Yes	Yes
Alimony received for all divorce or separation agreements executed after December 31, 2018	No	No	No
Awards, prizes (in excess of \$300 for THR)	Yes	Yes	Yes
Bingo (in excess of \$300 for THR)	Yes	Yes	Yes
Bonuses	Yes	Yes	Yes
Business (Schedule C) income or loss in Michigan (except income and related expenses from oil and gas royalties and metallic minerals extraction subject to severance tax)	Yes	Yes	Yes ¹
Business (Schedule C) income or loss from another state and/or income and related expenses from oil and gas royalties and metallic minerals extraction subject to severance tax	Yes	No	Yes ¹
Capital Gains 100% taxable ²	Yes	Yes	Yes
Gains on sale of principal residence	No	No	Yes
Casualty loss reimbursement in excess of the loss of property	Yes	Yes	Yes
Child Support Payments: Payer ³	Yes	Yes	Yes
Child Support Payments: Receiver	No	No	Yes
Chore service payment: Provider of service	Yes	Yes	Yes
Chore service payment: Receiver of service	No	No	No
Commissions	Yes	Yes	Yes

1: All business income and loss must be netted before considering the effect on THR. If the netting results in a loss, this cannot be used to reduce THR. **Exception:** Farmland Preservation Tax Credit continues to be based on household income and not THR. Business losses and NOL deductions are allowed in household income (Refer to MI-1040CR-5 instructions).

2: Senior citizens born before 1946 may be eligible for a subtraction. Refer to [Retirement and Pension Benefits Information in Chapter 2](#) for more information.

3: Payers of child support are unable to deduct payments made from AGI, MI taxable income or THR.

Income Items	AGI	Michigan Taxable Income	THR
Compensation for personal services rendered	Yes	Yes	Yes
Damages for personal injury or sickness	No	No	Yes
Deferred compensation	Yes	Yes	Yes
Director's fees	Yes	Yes	Yes
Disability income (limited)	Yes	Yes	Yes
Policeman and Fireman On-Duty "J-Days"	No	No	Yes
Dividends Received ²	Yes	Yes	Yes
Educational expenses paid by employer	No	No	Yes
Employee business expenses: cash allowance or reimbursement	Yes	Yes	Yes
Energy assistance grants or tax credit	No	No	No
Estates or trusts income or loss	Yes	Yes	Yes ¹
Farm income or loss from Michigan	Yes	Yes	Yes ¹
Farm income or loss from Another state	Yes	No	Yes ¹
Farm portion of homestead property tax credit	Yes	Yes	No
Farmland preservation tax credits	Yes	Yes	Yes
FIP (Family Independence Program) benefits	No	No	Yes ⁴
Foreign earned income exclusion	No	No	Yes
Foster care payments	No	No	Yes
Gambling Winnings (in excess of \$300 for THR)	Yes	Yes	Yes
Gambling losses for professional gamblers	Yes	Yes	No ¹
Gambling losses for all others	No	Yes ⁵	No
Gifts of Cash (in excess of \$300 for THR)	No	No	Yes
Government grant for home repair or improvement	No	No	No
Government payments made directly to educational institutions or housing projects	No	No	No

4: The inclusion of FIP benefits in THR requires an alternate calculation of the HPTC. More information can be found in the [Credit Computation Methods section of Chapter 3](#) or by reviewing the instructions for form MI-1040CR.

5: Deduction limited to wagering losses claimed as an itemized deduction on the federal income tax return for the same period. For nonresidents, only wagering losses attributable to wagering transactions placed at or through a casino or licensed race meeting located in this state may be deducted. **Note:** The 90% limitation on the itemization of gambling losses on the federal return that was implemented with the passage of the OBBBA impacts this deduction.

Income Items	AGI	Michigan Taxable Income	THR
Health, life (unless benefits exceed \$50,000), and accident insurance premiums paid by employer	No	No	No
Homestead property tax credit	Yes	No	No
Housing allowance for clergy	No	No	Yes
Inheritance bequest or device from Non-Spouse	No	No	Yes
Inheritance bequest or device from Spouse	No	No	No
Interest Received on:	N/A	N/A	N/A
Banking, savings, and loan association, etc., accounts	Yes	Yes	Yes
Insurance dividends	Yes	Yes	Yes
Land contracts	Yes	Yes	Yes
Money market and savings certificates	Yes	Yes	Yes
Municipal bonds issued by another state	No	Yes	Yes
Municipal bonds issued by Michigan	No	No	Yes
Tax Refunds	Yes	Yes	Yes
U.S. Obligations (only specific agencies exempt)	Yes	No ⁶	Yes
Interest taxable to Michigan	Yes	Yes ²	Yes
Life insurance proceeds paid to non-spouse	No	No	Yes
Life insurance proceeds paid to spouse	No	No	No
Life insurance – cash in amount in excess of premium	Yes	Yes	Yes
Living expenses paid on behalf of taxpayer	No	No	Yes
Loans received or paid	No	No	No
Long-term disability payments received (if all or part of premium paid by employer)	Yes	Yes	Yes
Lottery payments (in excess of \$300 for THR)	Yes	Yes	Yes
Lottery installment winners of Michigan lottery who won prior to 12-30-1988	Yes	No	Yes
Lump sum distribution included in 10-year averaging (for individuals born before 1936)	No	No	Yes

⁶ The list of exempt agencies can be found in the [respective section of Chapter 5, Additional Information](#).

Income Items	AGI	Michigan Taxable Income	THR
Medicaid waiver payments excluded from AGI under IRS notice 2014-7	No	No	Yes
Medicaid waiver payments NOT eligible for exclusion from AGI under IRS notice 2014-7	Yes	Yes	Yes
Medicare payments	No	No	No
Military wages or retirements	Yes	No	Yes
Military combat pay NOT excluded from taxable on federal return	Yes	No	Yes
Military combat pay excluded from taxable on federal return	No	No	Yes
Moving expenses, reimbursement from moving into Michigan	Yes	Yes	Yes
Moving expenses, reimbursement from moving out of Michigan	Yes	No	No
Net operating loss deduction	Yes	Yes	No ¹
Partnership income or loss in Michigan (except income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax)	Yes	Yes	Yes ¹
Partnership income or loss from another state and/or income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax	Yes	No	Yes ¹
Paycheck Protection Plan (PPP) loans forgiven	No	No	Yes
Pension and retirement benefits from person born after 1945	Yes	Yes/No ⁷	Yes
Private retirement benefits (e.g., qualified annuity plans) up to amount allowed as subtraction for claimed year for persons born before 1946	Yes	No ⁸	Yes
Private retirement benefits or qualified annuity plans in excess of amount allowed as subtraction for claimed year for person born before 1946	Yes	Yes	Yes
Public retirement benefits (federal state or municipal governments) for persons born before 1946	Yes	No	Yes
Public health officer's income: Michigan resident	Yes	Yes	Yes
Public health officer's income: Nonresident	Yes	No	No
Railroad sick pay	Yes	No	Yes

7: Refer to the [Pension and Retirement Benefits](#) section in [Chapter 2](#) of this manual.

8: This subtraction is adjusted by the percentage increase in the U.S. Consumer Price Index for the preceding calendar year. The updated amounts for each year are provided in the MI-1040 instruction booklet for the year being reviewed. More information on this subject can be found in the [Pension and Retirement Benefits](#) section in [Chapter 2](#) of this manual.

Income Items	AGI	Michigan Taxable Income	THR
Railroad Tier 1 (SSA equivalent) retirement benefits, taxable amount for persons born before 1946	Yes	No	Yes
Railroad Tier 1 retirement benefits, Nontaxable portion	No	No	Yes
Railroad Tier 2 retirement benefits for persons born before 1946	Yes	No	Yes
Railroad unemployment benefits	Yes	No	Yes
Refunds of Michigan state and local income tax	Yes	No	No
Relief in kind from nongovernmental sources (in excess of \$300 for THR)	No	No	Yes
Relief in kind from governmental sources	No	No	No ⁹
Rents and royalties income or loss in Michigan (except income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax	Yes	Yes	Yes
Rents and royalties income or loss from another state and/or income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax.	Yes	No	Yes ¹
S Corporation business activity in Michigan (except income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax)	Yes	Yes	Yes ¹
S Corporation business activity in another state and/or income and related expenses from oil and gas royalties and metallic minerals extraction subject to Michigan severance tax	Yes	No	Yes ¹
Scholarships, stipends, and education grants from governmental sources paid directly to the educational institution	Yes/No ¹⁰	Yes/No ¹⁰	No
Scholarships, stipends, and education grants from governmental sources paid directly to the individual	Yes/No ¹¹	Yes/No ¹¹	Yes
Scholarships, stipends, and education grants from non-governmental sources used for qualified expenses	No	No	Yes
Scholarships, stipends, and education grants from non-governmental sources used for non-qualified expenses	Yes	Yes	Yes

9: While relief in kind from governmental sources is not included in THR, if a taxpayer rents and receives benefits that pay for a portion of rent, they may not include the months or portion of months where rent was paid by a governmental source.

10: If the amounts paid are used for non-qualified expenses (e.g., room and board) and therefore included in Federal AGI, they are also included in Michigan AGI and taxable income.

11: If the direct payments are used for qualified expenses, they would not be included in Federal AGI and as a result would not be included in Michigan AGI or taxable income but would still be included in THR,

Income Items	AGI	Michigan Taxable Income	THR
Severance pay	Yes	Yes	Yes
Sick pay other than railroad sick pay	Yes	Yes	Yes
Social Security benefits: Taxable Amount	Yes	No	Yes
Social Security benefits: Nontaxable Amount	No	No	Yes
Stimulus Payments	No	No	No
Stipends received for benefits of grantor (e.g., interns, residents, doctors, etc.)	Yes	Yes	Yes
Strike Pay	Yes	Yes	Yes
Supplemental Gain (Form 4797)	Yes	Yes	Yes
Supplemental unemployment benefits	Yes	Yes	Yes
Surplus foods	No	No	No
Unemployment compensation	Yes	Yes	Yes
Unemployment compensation from railroad	No	No	Yes
Vacation Allowance	Yes	Yes	Yes
Veterans Administration benefits	No	No	Yes
Wages, Salaries, and Tips	Yes	Yes	Yes
Workers' Compensation	No	No	Yes

Deductible Items	AGI	Michigan Taxable Income	THR
Alimony paid under all divorce or separation agreements executed prior to January 1, 2019	Yes	Yes	Yes
Alimony paid under all divorce or separation agreements executed after December 31, 2018	No	No	No
Capital Losses: Short-term, maximum \$3,000	Yes	Yes	Yes
Capital Losses: Long-term, maximum \$3,000	Yes	Yes	Yes
Casualty Loss claimed as itemized deduction	No	No	No
Casualty Loss claimed as business deduction	Yes	Yes	Yes
Claim of Right ¹² taken as an Itemized deduction (taken as Michigan Credit)	No	No	No
Claim of Right ¹² taken as a Federal Credit (taken as Michigan Credit)	No	No	No
Claim of Right ¹² with the Deduction reflected in AGI	Yes	Yes	Yes
Health and accident insurance paid by taxpayer for self and family (not including pre-tax payroll deductions)	No	No	Yes
IRA or Keogh contributions	Yes	Yes	Yes
Non-military related moving expenses	No	No	No
Military related moving expenses: Moving to Michigan	Yes	Yes	Yes
Military related moving expenses: Moving out of Michigan	Yes	No	No
Penalty on early withdrawal of savings	Yes	No	Yes
Self-employment tax deduction	Yes	No	Yes
Venture capital deduction	Yes	No	No

12: A claim of right is a repayment of items previous included in income at the federal level. It can be reflected on the federal return in a variety of ways, each with a different

Michigan Cities Levying an Income Tax

20 of the 24 Michigan cities that levy an income tax, use the standard rate of 1 percent on residents and 0.5 percent on nonresidents. They are listed below:

Albion	Battle Creek
Benton Harbor	Big Rapids
East Lansing	Flint
Grayling	Hamtramck
Hudson	Ionia
Jackson	Lansing
Lapeer	Muskegon
Muskegon Heights	Pontiac
Port Huron	Portland
Springfield	Walker

The following Michigan cities levy an income tax with alternate rates:

- Detroit – Residents: 2.4% | Nonresidents: 1.2%
- Grand Rapids – Residents: 1.5% | Nonresidents: 0.75%
- Highland Park – Residents: 2% | Nonresidents: 1%
- Saginaw – Residents: 1.5% | Nonresidents: 0.75%