

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

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

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

- ▶ You are required to make electronic payments on an accelerated schedule which includes a pre-payment on or before the 20th of the current month and a reconciliation payment with your return, on or before the 20th of the following month.
 - ▶ The pre-payment calculation is 75% of the prior month's tax liability or prior year's tax liability (for the same month), whichever is less after discount and pre-paid Sales tax credits.
- ▶ You are required to file returns on a monthly basis on or before the 20th day of the subsequent month.
- ▶ There is no maximum discount per month however, discounts will only be allowed when the required pre-payment amount is satisfied, and payments received are transmitted electronically.
- ▶ Any amount of required pre-payment that is underpaid is subject to a 5% penalty.

1. What is Accelerated Sales and Use tax?

- a. Public Acts 17 and 18 of 1993, as amended, require taxpayers with a Sales or Use tax liability of at least \$720,000 for the preceding calendar year to pay both their Sales and Use taxes on an accelerated basis. For more information, see MCL 205.56 and MCL 205.96 at www.legislature.mi.gov
- b. **NOTE:** Compliance is neither optional nor discretionary. The requirement is reviewed annually based on the preceding calendar year. You will be notified in writing of any changes in your filing status.

2. When am I required to begin Accelerated Sales and Use Tax payments?

- a. The Michigan Department of Treasury will notify you in writing of your change to an accelerated taxpayer. Accelerated Sales and Use tax payments must continue unless you are notified in writing of a change to your filing status. These written notifications are generally mailed in April, and the changes are effective for the July tax period.

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

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

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

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

5. Does Use tax on Purchases have to be paid on an accelerated basis even if my liability is small?

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

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

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

7. Am I still required to file a monthly return when I am transmitting my payment electronically?

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

8. Is the liability amount used for calculating the required pre-payment the amount before or after the discounts were taken in the prior periods?

- a. Compute the 75% pre-payment on the total liability after discounts and pre-paid Sales tax credits on both the prior month and the same month of the prior year. Example provided at the end of this document.

9. Do I still need to initiate a payment if my calculated pre-payment due is \$0.00?

- a. No. If a prior month or prior year same month liability was reported as \$0.00, then you will have no required 75% pre-payment. If a prior tax period overpayment covers the 75% pre-payment for Sales and Use tax you will have no required pre-payment. In both scenarios, you will not need to initiate a payment.
- b. **NOTE:** You still need to file your monthly/quarterly return by the 20th of the subsequent month even if no payment is due.

10. Do we still receive a discount?

- a. Yes. Effective with the passage of Proposal A on May 1, 1994, a discount remains available for the tax rate up to 4%. For accelerated filers, there is no maximum dollar amount of discount per month, but the discount is limited to 1/2 of 1%. Discounts apply only to Sales tax and Use tax on Sales and Rentals
- b. The calculation for determining your discount on 6% Sales tax is as follows (example at the end of this document):
 - i. Tax Payment x .6667 (2/3 of the tax due) x .005 (1/2%) = discount
 - ii. **NOTE:** Discounts on pre-paid credit schedules are calculated when filing through MTO and are separate from this calculation.

11. Are there additional requirements for discounts when I'm changed to Accelerated filing?

- a. Yes. You must make the required pre-payment amount in full, timely, and electronically in order to qualify for a discount on the tax period. As normal discount guidelines advise, any late payments will not be allowed a discount.

12. Can I send a check with my return?

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

13. What if I make my pre-payment late, or I don't pay it in full?

- a. Any amount of pre-payment that is underpaid is subject to a penalty in addition to any late or underpaid liability penalties and interest already calculated. This will disallow any discount calculated for the tax period.

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

- a. For timely receipt of payment through MTO, filers must complete their payment transaction by 8 p.m. EST one business day prior to the due date. ACH

Credit and approved proprietary third-party software filers will need to contact their financial institution for payment transaction requirements.

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

- a. If the 20th day of the month falls on a weekend, state holiday or banking holiday, the due date is the next business day.
- b. **NOTE:** For a listing of specific state holidays, refer to Sales, Use and Withholding Tax Due Dates for Holidays and Weekends (Form 3149).

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

- a. If a tax period's actual tax due is less than the applicable payments and credits, the remaining balance will be available to apply to the next Sales, Use and Withholding tax pre-payment due. There is no additional form required to use this available credit, and any accounting for these amounts should be in your records.

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

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

18. What notification is needed if I change banks?

- a. EFT Credit Filers need to provide their new financial institution with Instructions for *Payments of Michigan Sales, Use, Withholding, and Other Michigan Business Taxes Using Electronic Funds Transfer (EFT) Credit* (Form 2329).
- b. EFT Debit filers have the capability of adding, changing, or deleting bank account and/or routing number information through their bank account accessed through MTO. This is done by selecting the "Other Payment Options" tab located in MTO, then clicking "Manage Payments". From there, you will be redirected to JP Morgan Chase's website where you can access these functions by clicking "Manage Accounts".

19. Can other business taxes be paid by EFT?

- a. Yes. EFT Credit filers should refer to Form 2329 for a listing of the tax type codes to use in the transmission of the new tax type.
- b. You can make payments for Sales, Use, Withholding, Michigan Business, Corporate Income, and Marihuana Retail Excise taxes through Michigan Treasury Online.

- c. Additional information regarding EFT payments can be found at www.michigan.gov/treasury by clicking the link for Michigan Treasury Online under “Popular Services”, or at www.michigan.gov/biztaxpayments.

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

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

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

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

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

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

- a. When calculating the amount of pre-payment, you will use the figures on lines from your prior returns
- i. For a standard 5080 return filed for only 6% Sales Tax use:
 1. Line 6a. for Sales Tax
 2. Line 6b. for Use Tax on Sales and Rentals
 3. Line 7 for Use Tax on Purchases
 - ii. If you were filing 4% and 6% sales for the period you would use:
 1. Line 4 for 4% Sales Tax
 2. Line 10 for 6% Sales Tax
 3. Line 14 for Use Tax on Sales and Rentals
 4. Line 16 for Use Tax on Purchases
- b. You would then take the corresponding lines from the prior year same month return, and prior month return, and compare them to determine the lesser amount. This is the amount you would use in your calculation.

- c. If calculating the pre-payment for the May 2020 filing period, you would compare the amount on the lines mentioned above from the May of 2019 return, and the April of 2020 return.

- i. Take whichever of those amounts is less and multiply it by .75 (75%). This will give you the amount of your required pre-payment.
- ii. Initiate an electronic payment in this amount so that the settlement date for it is on or before the 20th of May 2020.
- iii. On or before the 20th of June 2020, a monthly return must be filed for May 2020 reporting actual liability for the period, and with payment for any amount of liability remaining after the pre-payment is applied.
- iv. If the tax liability for May 2020 is less than the applied pre-payment, the remaining credit balance will be available for use on future payments and can be reported on the return for the next tax period.

23. Can you provide an example of how discounts are calculated? Is there still a maximum discount allowed?

- a. Public Acts 265, 266 and 267 of 1998 provide for a discount of 1/2 of 1% (.005) for taxes due at the rate of 4% in the following situations:
- i. When the required pre-payment amount is received on or before the 20th day of the current month.
 - ii. When the reconciliation payment is received on or before the 20th day of the subsequent month, but only if the pre-payment is correctly calculated and paid timely.
 - iii. **NOTE:** There is no maximum discount per month but the early discount rate of 3/4 of 1% (.0075) does not apply. With the tax rate at 6% beginning May 1, 1994, discounts are calculated by applying the discount percentage to 2/3 (.6667) of the tax due.
 - iv. To illustrate:

The ABC Mailing Company has a required pre-payment for May 2020 in the amount of 25,000 and made that payment timely and in full.

ABC’s May 2020 actual liability is \$125,000.00. Their reconciliation payment must be received by June 20, 2020 and is computed as follows:

$\$125,000 \text{ (tax)} \times .6667 \times .005 = \416.69
(discount)

$\$125,000 \text{ (tax)} - \$416.69 \text{ (discount)} -$
 $\$25,000 \text{ (pre-payment)} = \$99,583.31$

24. What if I still have questions?

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

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