

## New Developments for Tax Year 2020

# NEW DEVELOPMENTS 2020

### Annual mailing of instruction booklets

The MI-1040, MI-1040CR-2, MI-1040CR-5 and MI-1040CR-7 instruction booklets will be mailed to taxpayers who paper filed their 2019 return on Michigan Department of Treasury forms. Taxpayers who e-filed or had a tax preparer complete their forms will not be mailed a booklet.

Forms and instructions may be viewed and/or downloaded from our web site beginning in January 2021. In addition, commonly used forms will continue to be available at most public libraries, Northern Michigan post offices, and Michigan Department of Health and Human Services (MDHHS) county offices.

Note: Bulk forms are distributed to libraries and post offices throughout the state before they are available in Michigan Department of Treasury offices. Therefore, forms may not be requested through the Michigan Department of Treasury Customer Contact Center until mid-February.

**Reminder: All pages of all forms must be completed and filed to be considered a complete return.**

**Collections accepts credit and debit card payments for past due debts.**

The Office of Collections accepts credit/debit card payments for online payments **only**. There is a processing fee of 1.5% for all transactions. You can use a valid Discover, MasterCard or Visa credit card or a valid MasterCard or Visa debit card to make payment. [View more information.](#)

**View Covid-19 Working From Home FAQs**

### IRS Refund Delays in 2021

- **Possible Refund Delay for Some Early Filers:**
  - The PATH Act mandates that the IRS cannot issue a refund on tax returns claiming the Earned Income Tax Credit or Additional Child Tax Credit until February 15. The additional time helps the IRS stop fraudulent refunds from being issued and to identify thieves and fraudulent claims with fabricated wages and withholdings.
  - In addition, identity theft and refund fraud safeguards put in place by the IRS may result in delayed processing of tax returns. This delay will not impact Michigan Department of Treasury's processing of individual income tax returns, unless safeguards have been put in place at the state level.

## Tax form information and changes for 2020

- **Exemption allowances and the tax rate:**

- \$4,750 for personal and dependent exemptions
- \$2,800 for special exemptions
- \$400 for qualified disabled veterans
- \$4,750 for stillbirth exemptions\*
- 4.25% tax rate

**\*Stillbirth Exemption.** A stillbirth exemption is available if you are a parent of a stillborn delivered during 2020 and have been issued a Certificate of Stillbirth from the Michigan Department of Health and Human Services (MDHHS). Include a copy of the certificate with your MI-1040. If you do not have a certificate, contact MDHHS at 517-335-8666 for an application or information on obtaining the certificate.

- **Schedule 1 Additions and Subtractions:**

- **Line 22D/22H:** Check each box as appropriate if you and/or your spouse were born after 1952, were retired as of January 1, 2013 and also received retirement benefits from SSA exempt employment.
- **Line 23 – Tier 2 Michigan Standard Deduction.** Taxpayers who were born during the period January 1, 1946 through December 31, 1952, that reached age 67 on or before December 31, 2019 may be eligible for a subtraction of \$20,000 for single filers or \$40,000 for joint filers against all income and will no longer deduct retirement and pension benefits.
- **Line 24 – Tier 3 Michigan Standard Deduction.** Taxpayers who were born during the period January 1, 1953 through January 1, 1954, and reached the age of 67 on or before December 31, 2020, may either deduct the personal exemption amount and taxable Social Security benefits, military compensation (including retirement benefits), Michigan National Guard retirement benefits and railroad retirement benefits included in adjusted gross income (AGI), or claim a deduction against all income, of \$20,000 for a return filed as single or married filing separately, or \$40,000 for a married filing joint return. To determine your deduction, complete [Worksheet 2](#) in the MI-1040 booklet.

**Note:** Filers who qualify for the Michigan Standard Deduction should not file Form 4884.

- **Line 26 - Dividend/interest/capital gains deduction.** Taxpayers born prior to 1945 may subtract dividend, interest and capital gains included in AGI. This subtraction is limited to \$11,983 for taxpayers filing single or married filing separately or \$23,966 for joint filers, less any deduction for retirement benefits. (See [page 16 in the MI-1040 Instruction Booklet](#))

[Dividend/Interest/Capital Gains Deduction Estimator](#)

- **Pension Schedule (Form 4884):**

- TIER 1

Taxpayers born before 1946 may subtract qualified private pensions up to \$53,759 for single or married filing separately filers and \$107,517 for joint filers.

- TIER 2

Taxpayers born January 1, 1946 through December 31, 1952 should not file Form 4884. A single filer may subtract \$20,000 against all income and joint filers may subtract \$40,000 against all income as the Tier 2 Michigan Standard Deduction on Schedule 1, line 23.

Taxpayers who receive retirement benefits from employment with a governmental agency exempt from Social Security may deduct up to \$35,000 against all income for a single filer and \$55,000 for joint filers. If both spouses on a joint return receive Social Security exempt retirement benefits, a standard deduction of \$70,000 is allowed.

A surviving spouse who meets all of the following conditions may elect to take the larger of the retirement and pension benefits deduction based on the deceased spouse's year of birth (deceased spouse must be the older of the two) subject to the limits available for a single filer or the survivor's Michigan Standard Deduction:

- Born after 1945 and reached the age of 67 and
- Not remarried and
- Claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died.

- TIER 3

Taxpayers born January 1, 1953 through January 1, 1954 should not file Form 4884. A taxpayer may either

- Deduct the personal exemption amount and taxable Social Security benefits, military compensation (including retirement benefits), Michigan National Guard retirement benefits and railroad retirement benefits included in adjusted gross income (AGI) **or**
- Claim a deduction against all income, of \$20,000 for a return filed as single or married filing separately, or \$40,000 for a married filing joint return.

To ensure you receive your maximum deduction complete [Worksheet 2](#) in the MI-1040 booklet for Tier 3 Michigan Standard Deduction on Schedule 1, line 24.

[View more details and examples](#)

Surviving spouses who meet all of the following conditions may elect to take the larger of the retirement and pension benefits deduction based on the deceased spouse's year of birth (deceased spouse must be the older of the two) subject to the limits available for a single filer or the survivor's Michigan Standard Deduction:

- Were born after 1945 and have reached the age of 67 and
- Have not remarried and
- Claimed a subtraction for retirement and pension benefits on a return jointly filed with the decedent in the year they died.

- Taxpayers born on or after January 1, 1954 but before January 2, 1959 who have reached age 62 **and** receive retirement benefits from employment with a governmental agency exempt from Social Security may deduct up to \$15,000 in qualifying retirement and pension benefits. If both spouses on a joint return receive Social Security exempt retirement benefits, the maximum deduction increases to \$30,000.
- Taxpayers born after 1953 who receive retirement benefits from a governmental agency exempt from Social Security and who were retired as of January 1, 2013 may deduct up to \$35,000 in qualifying pension benefits if single or married filing separately or \$55,000 if married filing jointly. If both spouses on a joint return qualify, the maximum deduction increases to \$70,000.
- All other taxpayers born after 1952, all retirement and pension benefits are taxable and are not entitled to a pension subtraction.

For more information, [see page 17 in the MI-1040 Instruction Booklet](#)

[Pension Deduction Estimator](#)

- **Home Heating Credit (MI-1040CR-7):**

- Line 42 - Maximum heating costs \$2,870
- Line 47 - Home Heating Credit Multiply line 46 by XX

Standard Allowances and Income Ceilings for 2020 (See Tables A and B below).

**Note:** The last day to file a 2020 Home Heating Credit is September 30, 2021. No filing extensions are allowed.

**TABLE A: 2020 Home Heating Credit (MI-1040CR-7) Standard Allowance**

**NOTE:** If you lived in your homestead for less than 12 months, you must prorate your standard allowance ([see instructions in the MI-1040CR-7 booklet](#))

EXEMPTIONS	STANDARD ALLOWANCE	INCOME CEILING
0-1	\$492	\$14,043
2	\$665	\$18,986
3	\$837	\$23,900
4	\$1010	\$28,842
5	\$1,182	\$33,757
6	\$1,355	\$38,700
	+ \$173 for each exemption over 6	+ \$4,943 for each exemption over 6

## TABLE B: 2020 Home Heating Credit (MI-1040CR-7) Alternate Credit Computation

### Exemptions and Maximum Income for the Alternate Credit Computation

EXEMPTIONS	MAXIMUM INCOME
0-1	\$14,849
2	\$19,982
3	\$25,119
4	\$26,091

- **Michigan 2210 reminder**
  - The first and second quarter payments for 2020 were due July 15, 2020. Applicable penalties and interest will not begin to accrue until July 16, 2020. The third quarter was due September 15, 2020 and the fourth quarter was due January 15, 2021.
- **New form**
  - The Michigan Net Operating Loss Carryback Refund Request (Form 5603-CARES Act) replaced Michigan Farming Loss Carryback Refund Request (Form 5603) and allows a taxpayer to carryback their 2018, 2019, and 2020 NOL to five preceding tax years.

### Additional Information

- [1099-G](#)

The Substitute Form 1099-G you receive in 2021 shows the amount of your 2019 refund and any prior year refunds issued to you in 2020.

Review all refunds issued to you and the tax returns filed during the year in question.

**Add** to the refund amount, any of the following which are included on the Substitute Form 1099-G:

- Amount credited forward to 2020 estimated tax
- Prior year refunds issued in 2020
- Refund amounts intercepted by the Michigan Department of Treasury to apply to back tax assessments, State Agency Collections (e.g. probation or supervision fees issued by the Department of Corrections) or other third party garnishments
- Any portion of a refund designated on your return to pay Use tax
- Amount contributed on the Michigan Voluntary Contribution Schedule

**Subtract** refundable credits which are not included on the Substitute Form 1099-G:

- Homestead Property Tax and Farmland Preservation Credits
- Michigan Earned Income Tax Credit
- Michigan Historic Preservation Tax Credit

This figure should match the amount on your Substitute Form 1099-G.

- **Direct Debit**

- Taxpayers may elect to use direct debit when e-filing their 2018, 2019 or 2020 tax due returns. A direct debit is a tax payment that Michigan Department of Treasury electronically withdraws from the taxpayer's bank account using the bank information provided on the electronically filed return. **Submitting the electronic return with the direct debit information provided authorizes the Michigan Department of Treasury to withdraw the funds from their bank account.** Direct debit is available for both the Michigan and City of Detroit returns.

**Note:** In the event the payment is returned as unpaid, the Michigan Department of Treasury may charge a return item fee, up to the maximum amount allowed by law. Penalty and interest will accrue on any tax due that has not been paid by the original due date of the return.

- **e-Payments**

- Individual Income Tax (IIT) filers have the option of making payments electronically using the [Michigan Department of Treasury's e-Payments system](#). Payments can be made by using electronic payment (eCheck), credit card or debit card.

- **Free E-file**

- E-file lets you submit your Michigan, City of Detroit and federal individual income tax returns using a computer instead of mailing paper returns. You can e-file your Michigan and/or City of Detroit return separately from your federal return (State Standalone e-file). If you choose to e-file your Michigan tax return, visit Treasury's Web site at [Mlfastfile.org](#) for a list of e-file resources, how to find an e-file provider and more information on free e-file services.
- There are many free tax preparation services available. To find out if you qualify and/or to locate a free preparation site near you, visit the following sites:
  - Free tax preparation assistance offered by IRS Volunteer Income Tax Assistance (VITA) and the Tax Counseling for the elderly programs. Enter your zip code to locate a site near you. <http://irs.treasury.gov/freetaxprep/>
  - You may be eligible to prepare and e-file your federal return for free with [Free File](#) through the IRS Web site.

## **Taxpayer Rights & Responsibilities**

- **Treasury Offset Program (TOP)**

- Michigan Department of Treasury has entered into an agreement with the Internal Revenue Service to intercept, or offset, federal tax refunds and federal payments for delinquent Michigan Department of Treasury income tax debts.

[View more TOP information](#)

## **Pension Estimator and Dividend/Interest/Capital Gains Estimator**

- Certain amounts of pension distributions and dividend/interest/capital gains can be subtracted from Michigan taxable income. An estimator is available on Michigan Department of Treasury's Web site to assist taxpayers in determining what amounts can be subtracted and to assist in making income tax return preparation easier.

## **Property Tax Credits / Refunds**

- Michigan homestead property tax credit and State refunds from Michigan Department of Treasury received in 2020 may be taxable on your 2020 U.S. 1040. If you have questions about the taxability (for federal tax purposes) of your refunds, call the IRS at 800-829-1040.

## **Filing Extension Granted for Military Personnel Serving in a Combat Zone**

- United States military personnel serving in a combat zone on April 15, 2021, will be given 180 days after leaving the combat zone to file their federal and State tax returns and will be exempt from penalties and interest. When e-filing, service men and women serving in combat zones should enter the words "Combat Zone" in the preparer notes. When filing a paper return, print "Combat Zone" in ink on the top of page 1.

[View More Information for Members of the Military](#)

## **MI-1040ES Forms No Longer Mailed to Taxpayers Using Preparers**

- Michigan Department of Treasury does not mail preprinted Estimated Individual Income Tax Vouchers (MI-1040ES) to taxpayers who use tax preparers to complete and file their income tax returns.

**Note: Failure to provide a complete Social Security number on Form MI-1040ES will result in processing delays.**

## **Statute of Limitations for Prior Year Returns and Credits**

- A taxpayer must file to claim a refund with the Michigan Department of Treasury within four years from the due date of the original return. For example: You must file a 2016 Michigan Individual Income Tax Return (MI-1040/MI-1040X-12) and/or a Homestead Property Tax Credit (MI-1040CR/MI-1040CR-2) on or before April 15, 2021.