2019 MICHIGAN TAX EXERCISES

1. Morrison (Advanced Scenario 6- make all addresses Ann Arbor): Ms. Morrison lived in University Townhouse Cooperative for all of 2019 and the letter she received is attached. Her monthly carrying charge is $1,200. Her DTE heating bill was for natural gas and for the period 11/1/2018 to 10/31/2019 was $1,300. She has an insured vehicle and brought her insurance bill into VITA and there was $732 of medical related premiums which can be added to her other out of pocket medical insurance costs calculated from her 1095-A and Schedule 3 from her 1040.

What is Ms. Morrison’s MI income tax, HPC, and HHC? If she did not get certain credits, explain why.
2. Matthews (Advanced Scenario 7-make all addresses Ann Arbor): Do a MI return for the Matthews. They rent an apartment in a full property paying complex for $2,000 a month and lived there for all 12 months of 2019. The combined medical insurance premiums paid were $10,345 and consisted of the medical related insurance premiums on their 2 vehicles, medical insurance, and dental insurance.

What is the MI income tax, HPC and HHC? Did you have to reenter any retirement income data to get the Tier 2 standard deduction Yes or No?

3. Torrez (Advanced Scenario 8-Please make all addresses Ann Arbor): Do a MI return for Mr. Torrez. He rented an apartment for $600 a month for all 12 months and his name is on the lease. His landlord was McKinley at 1 Platt Rd., Ann Arbor 48104. His heating bill is from DTE, he has gas heat, and the amount of his heating bill from his January bill was $1,100. He owns his vehicle and it is insured, but he could not produce an insurance billing statement.

What is Mr. Torrez’ MI income tax? Does he get an HPC and if so, how much? What Adjustments does he get in the HPC calculation? Does he get a HHC and if so how much? Did he get the Standard Credit or the Alternate Credit? Are there any circumstances in his return that would merit a paper filing?

4. The following is from a test supplement provided by the MI Department of Treasury toward the end of last year’s tax season. Assume John’s birth date is 4/1/1953 and Joanna’s birth date is 2/1/1951. Apply any SSN that you have not yet used in the TS Practice Lab. Assume zip code is 48235. The EIN for Joanna’s 1099-R is 11-1234567. The distribution code is 7. The heating cost from a DTE statement for the period 11/1/18 to 10/31/19 was $945 as was for natural gas. As you proceed through the scenarios in TS, always save a pdf of the exercise just completed, as you will be changing the content in TS with each scenario.
Prepare an MI-1040-CR for John and Joanna Powers, ages 66 and 68 respectively. They have no dependents, nor do they qualify for any special exemptions. Their Social Security numbers (SSNs) are 111-11-1111 and 222-22-2222, respectively. They owned and lived in their house at 312 W Outer Dr, Detroit, MI 48235 for the entire year.

The property tax bills on their homestead are:

<table>
<thead>
<tr>
<th>SUMMER 2019</th>
<th>WINTER 2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Summer Taxes</td>
<td>Winter Taxes</td>
</tr>
<tr>
<td>$475</td>
<td>$950</td>
</tr>
<tr>
<td>Special Assessment:</td>
<td></td>
</tr>
<tr>
<td>Sidewalk</td>
<td>+175</td>
</tr>
<tr>
<td>Total</td>
<td>650</td>
</tr>
<tr>
<td>Administrative Fee</td>
<td>+ 5</td>
</tr>
<tr>
<td>Total</td>
<td>$655</td>
</tr>
<tr>
<td>State Equalized Value</td>
<td>$55,000</td>
</tr>
<tr>
<td>Taxable Value</td>
<td>$31,000</td>
</tr>
</tbody>
</table>

Their annual income is:

**SOCIAL SECURITY**
- Paid by check/direct deposit: $5,850
- Medicare premiums: $600
- Total Benefits for 2019: $6,450

**PENSION**
- Gross distribution: $11,700
- Original contributions: $2,300
- Taxable Benefits: $9,400

For this example, assume Social Security is taxable on the federal return. They paid $450 in health insurance premiums to Aflac.

Based on the facts above, compute the homestead property tax credit for the Powers.

Assume the same facts as shown above and compute the homestead property tax credit for the Powers for each of the following fact changes:

A. Both John and Joanna are age 64. The Social Security payments received are due to Joanna being considered totally and permanently disabled.
B. The Powers’ taxable benefits from their pension now equals $18,100.

C. Joanna passed away two years ago at age 66. John is currently 64, un-remarried, only received Social Security payments, and did not pay for health insurance to Aflac.

D. John and Joanna moved into their son’s home on July 1, 2019 and sold their home on September 1, 2019. The son would not accept any rent from them for the remainder of the year.

5. Jerry Smith and wife Beverly are filing a joint return. Jerry was born 4/1/1943 and Beverly was born 3/3/1946. Apply any SSNs that you have not yet used in the TS Practice Lab. Jerry is receiving a public pension of $ 40,000 with a distribution code of 7. Beverly is receiving a private pension of $ 70,000 with a distribution code of 7. Make all appropriate entries in TS, Observe the entries on Form 4484 and what section was used.

6. Leigh Smith is filing single, was born on 3/3/1953. Apply any SSN that you have not yet used in the TS Practice Lab. She is receiving a pension of $ 8,000 from SSA exempt employment and a private pension of $ 10,000. She retired in 2014. Enter information into TS and determine what her pension deduction is and what section of Form 4484 is used.

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