2019 MI TAXES EXERCISES-ANSWERS

1. MI income tax is $1,218; HPC is $392; MI refund is $1,035. There is no HHC as THR is greater than the threshold for 3 exemptions.

2. MI income tax is $207; HPC is $439; MI refund is $1,632: HHC is 0 as THR is well above the threshold for 2 exemptions.

3. MI income tax is zero; HPC is $957; MI refund is $957; HHC is $467 and uses the Alternate Credit calculation. As Mr. Torrez rent of $7,200 per year is greater than his THR of $1,908, a paper return should be filed with evidence as to where Mr. Torrez obtained the resources to pay his rent and other living expenses.

4. Base scenario: MI income tax is zero; HPC is $965; MI refund is $965; and HHC is $101 using the Standard Credit. Software uses Section A of the MI1040CR for calculation (TS does this automatically).

4A: MI income tax is zero, HPC is $965, MI refund is $965 (all the same as base so far, but software uses Section B of MI1040CR, so Joanna’s TPD offsets lover age in this scenario--TS does this automatically). HHC is $228 as Joanna’s TPD scoring adds one exemption to the calculation.

4B: MI income tax is zero; HPC is $605 (the Power’s higher THR level moves them to 88 % in Section A of the MI1040CR--TS does this automatically); MI refund is $605. There is no HHC as the new THR level is higher than the allowed amount for 2 exemptions.

4C: MI income tax is zero; HPC is $1,263; MI refund is $1,263; HHC is $208. Joanna was considered a senior citizen when she passed away. As long as John does not remarry, he also is considered a “Senior Citizen”. A claimant or spouse who is 65 or older or a paraplegic, quadriplegic, hemiplegic, blind, deaf, or totally and permanently, and their THR is $6,000 or less, is allowed to use a lower percentage when calculating the amount of property taxes that are not refundable. In this case, John’s THR is between $5,000 and $6,000; therefore the THR of $5,850 is multiplied by 3 % instead of 3.3%, which equals $176 on line 34. Also, since his THR is below $21,000, he is entitled to 100 % of the credit up to the max of $1,500, and not subject to the senior credit reduction rate. John’s HPC is $1,263. TS does all of these
calculations automatically but you must enter the deceased spouse question as “Yes” in the opening page of the HPC:

John’s HHC is $208 reflecting the Alternate Credit calculation due to his lower THR.

4D: MI income tax is zero; HPC is $240; MI refund is $240; HHC is zero. The Powers were part year residents in their home. Part 3 of the MI1040CR must be completed and this is done automatically in TS on the Home Owner information page as shown:

5. MI income tax is zero; Line 13 of MI1040 is $105,615, which flows from lines 24 and 28 of the Schedule 1 and Section A of Form 4484.

6. MI income tax is zero; Line 13 of MI1040 is $15,000, and flows from Schedule 1 and Section D of Form 4484.
The Powers THR is too high for the HHC.