State Tax Preparation Training

Tax Year 2019
Agenda

- Welcome
- Materials Overview
- Resources Available & Training Approach
- Intro to Michigan 1040
- 6 Primary Things to Address
  - Exemptions
  - Retirement Income
  - Use Tax
  - Total Household Resources (THR)
  - Homestead Property Tax Credit (HPC/HPTC)
  - Home Heating Credit (HHC)
- Michigan Quiz
Resources Available
& Training Approach
Resources for Study & In-Clinic

- Acknowledgement of dense slides
- All online: uwgiv.org/vitaresources
- Handouts
- Michigan 4012
- AAS Slidedecks
- Future: Michigan Quick Guide
Training Approach

Slideshow will provide:

- Explanations
- TaxSlayer Entry/Automatic
- Flow to Paper Forms
Exemptions
Exemption Allowances

- Personal and dependent exemptions increase to $4,400 (from $4,050 in 2018)
- Exemption for someone who can be claimed as a dependent remains at $1,500
- Special exemption allowance stays at $2,700
- Qualified disabled veteran exemption remains at $400
- New exemption for a stillbirth is $4,400 – based on a Certificate of Stillbirth from MDHHS

Income from payments for wrongful incarceration – To the extent not included in AGI, these payments do not have to be included in Total Household Resources
Who Must File A State of Michigan Tax Return?

- Refer to the federal information regarding earnings.
- Income greater than the MI personal exemption amount: $4,400 x total # of exemptions.
- Three “refundable” credits in the MI portion – all critical to most of our clients:
  - Earned income credit – 6% of the federal amount
  - Homestead Property tax credit (HPC)
  - Home Heating Credit (HHC)
- Some of our clients will not have to file federal taxes but will file MI taxes due to the lower exemption, and the HPC and HHC often apply even if no MI income tax.
Michigan Filing Status

- There are three statuses to file in the State of Michigan: married filing jointly, married filing separately, or single.

- If filing married filing jointly on the federal return, this must be the status on the state return.

- If on the federal return the taxpayer is filing single, head of household, or qualifying widower they will file single for Michigan.

INFORMATION FLOWS AUTOMATICALLY FROM FEDERAL RETURN IN TS.
What are Exemptions?

- A dollar amount that can be subtracted from total income thereby reducing the total available income subjected to tax. (Also referred to as personal exemptions).

- Starting in the taxable year of 2018, for federal returns, Dependent and Personal exemptions have been reduced to $0 for tax years 2018-2025.

- Michigan State Tax Law DOES allow exemptions on their state returns.
Basic Michigan Exemption

Personal Exemption: $4,400
- If MFJ and/or dependents, each person receives a Personal Exemption

INFORMATION FLOWS AUTOMATICALLY FROM FEDERAL RETURN IN TS.
Special Exemptions

Special Exemption for Disabled: $2,700
- Available to a person if they are paraplegic, quadriplegic, hemiplegic, blind, deaf, or totally and permanently disabled*.
- If a person has more than one disability, only one exemption should be checked.
- If the taxpayer, spouse, or dependent is 66 or over, then the totally and permanently disabled exemption (only) does not apply
  - The special exemption for those that are deaf, blind, paraplegic, quadriplegic, hemiplegic does not have an age limit.
  - This Exemption ALSO increase the amount of the Homestead Property Tax Credit and Home Heating Credit (coming later!)}
Totally and Permanently Disabled

A person is considered permanently and totally disabled if both of the following apply:

- They cannot engage in any substantial gainful activity because of a physical or mental condition, **AND**
- A doctor determines that the condition has lasted or can be expected to last continuously for at least a year or can lead to death.

Indicators that someone qualifies as Totally and Permanently Disabled:

- They indicated on Form 13614-C (Intake Form)
- Under the age of 62 and receiving social security  *a non-disabled widow/er may receive survivor benefits starting at age 60 or at any age with a child under age 16*
- Under age 65 and receiving Supplemental Security Income (SSI), or at times Social Security
- Under age 62 and living in subsidized senior housing
Special Exemptions

Qualified Disabled Veteran Deduction: $400
- Available if taxpayer (or spouse or dependent) is a qualified disabled veteran.
- Must be veteran of active military, naval, marine, coast guard, or air service who received a discharge and has a disability incurred or aggravated in the line of duty.

Stillbirth Exemption: $4,400
- Available to parent of a stillborn child delivered in 2019
- State requires a Certificate of Stillbirth from MDHHS
- Must be attached to 1040 (Paper File)

REQUIRES TS ENTRY
Remember, ALWAYS GO TO “BASIC SECTION”
MI 1040

*Pull out your MI 1040 Handout to reference.
Total Exemptions (Line 9f) flows to line 15

Where exempt retirement benefits and other + and - flow to
21. Enter amount of Income Tax from line 20...

22. Voluntary Contributions from Form 4642, line 10. Include Form 4642...

23. USE TAX. Use tax due on Internet, mail order or other out-of-state purchases from Worksheet 1 (see instructions).

24. Total Tax Liability. Add lines 21, 22 and 23.

**REFUNDABLE CREDITS AND PAYMENTS**

- Property Tax Credit. Include Mi-1040CR or Mi-1040CR-2

- Farmland Preservation Tax Credit. Include Mi-1040CR-5

27. Earned Income Tax Credit. Multiply line 27a by 6% (0.06) and enter result on line 27b...


30. Estimated tax, extension payments and 2018 credit forward.

31. 2019 AMENDED RETURNS ONLY. Taxpayers completing an original 2019 return should skip to line 32. Amended returns must include Schedule AMD (see instructions).

31a. If you had a refund and/or credit forward on the original return, check box 31a and enter this amount as a negative number on line 31c.

31b. If you paid with the original return, check box 31b and enter the amount paid with the original return, plus any additional tax paid after filing, as a positive number on line 31c. Do not include interest or penalty.

32. Total refundable credits and payments. Add lines 25, 26, 27b, 28, 29, 30, and 31c.

**REFUND OR TAX DUE**

33. If line 32 is less than line 24, subtract line 32 from line 24. If applicable, see instructions.

Include interest

34. Overpayment. If line 32 is greater than line 24, subtract line 24 from line 32.

35. Credit Forward. Amount of line 34 to be credited to your 2020 estimated tax for your 2020 tax return.

**DIRECT DEPOSIT**

Deposit your refund directly to your financial institution! See instructions and complete a, b, and c.

**Deceased Taxpayer.** If Filer and/or Spouse died after December 31, 2018, enter dates below.

**ENTER DATE OF DEATH ONLY.** Example: 04-15-2019 (MM-DD-YYYY)

36. Subtract line 35 from line 34.

**REFUND**

- a. Routing Transit Number
- b. Account Number
- c. Type of Account

**Preparer Certification.** I declare under penalty of perjury that this return is based on all information of which I have any knowledge.

**Preparer’s PTIN, FEIN or SSN**

**Preparer’s Name (print or type)**

**Department of Treasury**

1. Refund, credit, or zero returns. Mail your return to: Michigan Department of Treasury, Lansing, MI 48956

2. Pay amount on line 33 (see instructions). Mail your check and return form to: Michigan Department of Treasury, Lansing, MI 48929
Determining Michigan AGI and taxable income

• AGI
  ○ The information from the federal return will transfer directly to the state return.

• Taxable Income
  ○ Additions/subtractions from Schedule 1 (if any)
  ○ Exemption amounts are then subtracted. Will flow to line 16 of MI 1040
Tax Rate

- Michigan has a tax rate of 4.25% of taxable income (on line 16 of MI-1040)
  - This tax rate is flat, which means that it applies to all income, no matter how much or how little (unlike federal tax law that uses a bracket system).
Michigan Retirement Benefits

*Take Out your Pension Tier Handouts for Reference
Introduction

Three Tiers (based Birth Year)

- General Overview Of Benefits from Tiers:
  - Tier 1: Generous Pension Deductions
  - Tier 2: Automatic $20,000 and/or $40,000 standard deduction
  - Tier 3: Minimal benefits (unless SSA exempt retirement income)

- If there are pension benefits from the federal tax return that are exempt in MI, the state tax return will require Form 4884 to be present. The form will automatically generate.

REQUIRES TS ENTRY
Retirement & Pension Benefits that are NOT Taxed

Regardless of date of birth, the retirement and pension benefits listed below are not taxed in Michigan

If included in AGI, they should be subtracted on the Michigan return on Schedule 1

- U.S. Military pensions
- Michigan National Guard pensions
- Social Security benefits
- Railroad Retirement benefits
Any taxable Social Security benefits included in AGI are subtracted on line 14 of Michigan Schedule 1, Additions and Subtractions.

**TaxSlayer entry:** The amount carries forward from the federal return, no additional entry needed on the Michigan return in the software.

(Note: Line 14 of Michigan Schedule 1 is also used to subtract military pay (compensation received for active duty in the U.S. Armed Forces) included in AGI.

**TaxSlayer** – There is a tab on the Subtractions from Income page to select and then enter any military pay eligible for subtraction on the Michigan return.)
Qualified pension and retirement benefit distributions eligible for subtraction on the Michigan return are reported on Michigan Form 4884, Michigan Pension Schedule, and on line 25 of Michigan Schedule 1, Additions and Subtractions.

Qualification for a subtraction is a Two-Step process:
1) Form 1099-R distribution code (Box 7)
2) Then use the appropriate age category – Tier 1, Tier 2 or Tier 3
What are Qualified Distributions?

- Qualifying retirement and pension benefits include most payments that are reported on a Form 1099-R, including distributions from the following sources:
  - Pension plans that define eligibility for retirement and set contribution and benefit amounts in advance
  - Qualified retirement plans for the self-employed
  - Retirement distributions from a 401(k) or 403(b) plan attributable to employer contributions or attributable to employee contributions that result in additional employer contributions (e.g., matching contributions)
  - IRA distributions received after age 59½
  - Benefits paid to a senior citizen (age 65 or older) from a retirement annuity policy that are paid for life (as opposed to a specified number of years)
  - Foreign retirement and pension benefits that meet Michigan’s qualifications may also be eligible
Certain distributions reported on Form 1099-R are not retirement or pension benefits. These include:

- Amounts received from a deferred compensation plan that lets the employee set the amount to be put aside and does not set retirement age or requirements for years of service. These plans include, but are not limited to:
  - All distributions from 457 plans
  - Distributions from 401(k) or 403(b) plans sourced to employee contributions and the earnings from those contributions if they were not matched by the employer
- Amounts received before the recipient could retire under the plan provisions, including amounts paid on separation, withdrawal, or discontinuance of the plan
- Amounts received as early retirement incentives, unless the incentives were paid from a pension trust
Subtraction for Qualified Retirement & Pension Benefits is a Two-Step Process

**STEP ONE:** Distribution code on Form 1099-R

- Treasury’s web page for Retirement & Pension Information has a 1099-R Distribution Code Chart

**STEP TWO:** Once it’s determined the qualified distribution may be subtracted based on the distribution code, then look at the taxpayer’s year of birth and age:

Age category – Tier 1, Tier 2, or Tier 3

- Tier 1 – Taxpayers born before 1946
- Tier 2 – Taxpayers born in 1946 through 1952
- Tier 3 – Taxpayers born after 1952

*Deceased spouse or SSA Exempt Situations*

Note: MFJ return – The age of the older spouse determines tax treatment
Step 1: Form 1099-R, Box 7, Distribution Code -- Distribution Codes 1 through 7 --

- Code 1, Early distribution, no known exception – Not eligible for subtraction
- Code 2, Early distribution, exception applies – Not eligible for subtraction unless part of a series of mainly equal periodic payments made for the life of the employee or the joint lives of the employee and their beneficiary; or unless early retirement under the terms of the plan.
- Code 3, Disability – Eligible for subtraction (even if distribution is reported as wages)
- Code 4, Death – Eligible for subtraction for surviving spouse only and only if decedent would have qualified for a normal distribution, Code 7, at the time of death
- Code 7, Normal distribution – Eligible for subtraction
- Codes 5, 6, 8 and 9 – Not eligible for subtraction.

Note: Codes 5, 6, 8 & 9 are out of scope for VITA/TCE.
Determining Pension Subtractions

- This is why it is important to enter the correct distribution code into TS.
- The distribution code/info from the 1099R is important. It drives whether the income can be used as a subtraction on the MI1040.

This distribution code is used by TS in determining how to treat retirement benefits. (remember there may still be TS entry required.)
TIER 1: Taxpayers born before 1946

◆ Social Security is exempt
◆ Senior citizen subtraction for interest, dividends, and capital gains, up to certain dollar limits
  ❑ May be limited if pensions benefits are also subtracted
◆ Public pensions exempt *NO LIMIT!*
◆ Private pensions exempt, up to certain dollar limits
  ❑ Limit is reduced by any public retirement benefit, military retirement benefit, retirement from Michigan National Guard, and railroad retirement

TAXSLAYER Entries in the Michigan Return:
◆ Entries are necessary depending on type of benefit – public and private pensions, military pensions, Michigan National Guard pensions, and RRB benefits

*See Tier Handout!*
The distinction between public and private retirement benefits applies only to taxpayers born before 1946 (Tier 1 taxpayers).

Public retirement benefit distributions from the following sources are fully exempt:
- Federal civil service
- State of Michigan
- Michigan local governmental units (e.g., Michigan counties, cities, and school districts)

Public retirement benefits from other states are subject to the “private” retirement benefits deduction limit.
- See Revenue Administrative Bulletin 2018-21, Deduction of Retirement and Pension Benefits Received from a Public Retirement System of Another State, issued in October 2018
TIER 2: Taxpayers born in 1946 through 1952

- AFTER taxpayer reaches age 67
  - Social Security is exempt
  - Railroad and Michigan National Guard pension is exempt
  - Military compensation and pension is exempt
  - No longer eligible to deduct retirement and pension benefits
    - Includes retirement benefits from a deceased spouse – the benefit cannot be subtracted for Tier 2 beneficiaries after they reach age 67
  - Eligible for standard deduction against all income – see next slide
TIER 2: Taxpayers born in 1946 through 1952

- AFTER taxpayer reaches age 67
  - Eligible for standard deduction against all income of $20,000 for a Single or Married Filing Separately filer, $40,000 for Married Filing Jointly filers
    - SSA Exempt – Deduction increases to $35,000 for single filers and $55,000 for joint filers with pensions from employment with governmental agencies not covered by the Social Security Act (SSA). Increases to $70,000 for joint filers if both spouses worked for an “uncovered” agency.
    - Not eligible for deduction to extent the exemption for military income, railroad retirement benefits, and Michigan National Guard pension is claimed
  - Standard deduction is claimed on Schedule 1, line 24
Military Pensions
SSA Exempt Employment

- Military pensions from U.S. Armed Forces:
  - IRS Military certification is NOT needed in order to prepare tax return with military pensions

- SSA Exempt Employment
  - Almost all employment is covered by the federal Social Security Act (SSA)
  - Most common instances of SSA exempt employment:
    - Police and firefighter retirees,
    - Some federal retirees covered under the Civil Service Retirement System and hired prior to 1984, and a
    - Small number of other state and local government retirees
  - Federal retirees hired since 1984 and those covered by the Federal Employees’ Retirement System are covered under the SSA
Retirement & Pension Benefits
Taxpayers Born in 1946 through 1952 (Tier 2)

TIER 2: Born 1946 through 1952
        -- AFTER Taxpayer Reaches Age 67

TAXSLAYER Entries in the Michigan Return (for taxpayers who have reached age 67):

◆ Entries are necessary for military compensation, military pension, RRB benefits (for both Tier 1 & Tier 2, blue Form RRB-1099 & green Form RRB-1099-R), and Michigan National Guard pensions to the extent included in AGI

◆ Entry(ies) also necessary if pension received from SSA exempt employment
TIER 3: Taxpayers born after 1952

- In some situations they are eligible for a subtraction on the Michigan return.
- Don’t let the instructions or the TaxSlayer wording mislead you.
- If there is a 1099-R in the return, double-check to ensure the taxpayer born after 1952 doesn’t have a subtraction missed on his or her tax return.

“Deductions for Taxpayers Born Before 1953”
TIER 3: Taxpayers born after 1952

- BEFORE taxpayer reaches age 67
  - Social Security is exempt
  - Railroad and Michigan National Guard pension is exempt
  - Military compensation and pension is exempt
  - Public and private retirement benefits and pensions are taxable in Michigan UNLESS one of three situations applies – see the next slide
BEFORE taxpayer reaches age 67 (continued)

- Public and private retirement benefits and pensions taxable unless one of the following three situations applies

  1) Taxpayer (or spouse if MFJ) has reached age 62 and received a pension from SSA exempt employment
    - May be eligible for a subtraction of $15,000. (If both spouses on a joint return qualify, the maximum subtraction increases to $30,000)
    - Note: For tax year 2019, age 62 is reached if born on or after January 1, 1953 but before January 2, 1958
BEFORE taxpayer reaches age 67 (continued)

- Public and private retirement benefits and pensions taxable unless one of the following three situations applies
  2) The older of taxpayer or spouse (if MFJ return) was born after 1/1/1953, received retirement benefits from SSA exempt employment, and was retired as of January 1, 2013
    - Effective with tax year 2018
    - May subtract up to $35,000 in qualifying retirement and pension benefits if Single or Married Filing Separately or $55,000 if Married Filing Jointly (If both spouse on a joint return qualify, the maximum subtraction increases to $70,000)
Subtraction for Retirement & Pension Benefits
Taxpayers Born after 1952 (Tier 3)

◆ BEFORE taxpayer reaches age 67 (continued)
  □ Public and private retirement benefits and pensions taxable unless one of the following three situations applies
  3) Taxpayer or spouse (if MFJ return) received retirement and pension benefits from a deceased spouse who was born prior to 1/1/1953
     ▪ Payments made to a surviving spouse can only be subtracted if the employee qualified for the subtraction at the time of death
     ▪ See “Retirement Benefits from a Deceased Spouse” in the MI-1040 instructions (2019 instructions)
For complete information on retirement and pension benefits and how to handle them on the Michigan tax return, refer to the:

- Instructions for the MI-1040, the
- Retirement and Pension Benefits Chart, and
- Treasury’s web page for Retirement and Pension Information
Retirement Income Entry Recap

- Brain Lightbulb should go off when preparing a retired Taxpayer’s return
- Do they have pension, interest, dividends, and/or capital gains income?
- Check “Distribution Code Chart” to determine if it’s eligible
- Check “Tier Chart” to determine which Tier taxpayer is in
- Review what kind of retirement income qualifies for Subtraction from Michigan return based on Tier & Age
- Make Subtraction entry in TaxSlayer if necessary
- Check the MI-1040 to ensure the Subtraction flowed through!
**TaxSlayer (TS) Entry For Retirement Subtractions**

<table>
<thead>
<tr>
<th>Michigan Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic Information</td>
</tr>
<tr>
<td>Income Subject to Tax</td>
</tr>
<tr>
<td>Additions to Income</td>
</tr>
<tr>
<td><strong>Subtractions from Income</strong></td>
</tr>
<tr>
<td>Credits</td>
</tr>
<tr>
<td>Voluntary Contributions</td>
</tr>
<tr>
<td>Use Tax</td>
</tr>
<tr>
<td>Payments</td>
</tr>
<tr>
<td>Miscellaneous Forms</td>
</tr>
<tr>
<td>City of Detroit Return</td>
</tr>
</tbody>
</table>

**Exit Michigan Return**
Then scroll to bottom.

May include taxpayers born after 1952 if SSA exempt retirement income or pension from deceased spouse.
Then...
Then...

For Tier 1 filer with eligible retirement benefits, must answer “Yes”
Then...

New for 2019: 1099-R flows through, but you must complete this section.
Then…
Then...

When done click save!
**MI Form 4884**

### Tier 1 Subtraction

**Section A:**

- 9. Enter $52,808 if single or $105,615 if filing jointly. Reduce this amount by any military or railroad retirement benefits from Schedule 1, line 11: $0.
- 10. Enter total public retirement and pension benefits (including public benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2019): $0.
- 11. Subtotal. Subtract line 10 from line 9. If line 10 is more than line 9, enter "0": $0.
- 12. Enter total private retirement and pension benefits (including private benefits received from a deceased spouse if deceased spouse was born prior to January 1, 1946 and died prior to 2019): $0.
- 13. If deceased spouse was born between January 1, 1946 and December 31, 1952 and died prior to 2019, enter deceased spouse retirement and pension benefits (maximum $20,000 if single or $40,000 if filing jointly): $0.
- 14. Add lines 12 and 13: $0.
- 15. Enter the smaller of lines 14 or 14: $0.
- **16. Total Retirement and Pension Benefits Subtraction.** Add lines 10 and 15. Carry this amount to Schedule 1, line 24: $0.

### Tier 2 Subtraction (Standard Subtraction Amount)

**Section B:**

- 17. Enter $52,808 if single or $105,615 if filing jointly. Reduce this amount by any military or railroad retirement benefits from Schedule 1, line 11: $0.
- 18. Enter public benefits received from a deceased spouse born prior to January 1, 1946 and died prior to 2019: $0.
- 19. Subtotal. Subtract line 16 from line 17. If line 18 is more than line 17, enter "0": $0.
- 20. Enter private benefits received from a deceased spouse born prior to January 1, 1946 and died prior to 2019: $0.
- 21. Enter the smaller of lines 19 or 20: $0.
- 22. Add lines 18 and 21. If you checked box 22C and/or 22F on Schedule 1, continue with line 23; otherwise skip to line 26: $0.
- 23. Enter total filer and spouse retirement and pension benefits: $0.
- 24. Maximum Allowable Pension Deduction. If you checked box 22C and/or 22F on Schedule 1, see instructions: $0.
- 25. Subtract line 22 from line 24. If line 22 is more than line 24, enter "0": $0.
- 26. If you checked box 22C and/or 22F on Schedule 1, enter the smaller of lines 23 or 25; otherwise enter "0": $0.
- **27. Total Retirement and Pension Benefits Subtraction.** Add lines 22 and 26. Carry this amount to Schedule 1, line 24: $0.

### Tier 3 Subtraction

**Section C:**

- 28. **Total Retirement and Pension Benefits Subtraction.** Enter total retirement and pension benefits, including benefits received from a deceased spouse who died prior to 2019 (maximum $20,000 if single or $40,000 if filing jointly). If you checked box 22C and/or 22F on Schedule 1 or have military or railroad retirement benefits reported on Schedule 1, line 11, see instructions. Carry this amount to Schedule 1, line 24: $0.

### Section D:

- 29. **Total Retirement and Pension Benefits Subtraction.** If you checked box 22C and/or 22F on Schedule 1 and the older of you or your spouse was born on or after January 1, 1953 but before January 2, 1958, enter retirement and pension benefits you received, up to $15,000 per eligible taxpayer. If you have military or railroad retirement benefits reported on Schedule 1, line 11, see instructions. Carry this amount to Schedule 1, line 24: $0.

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See P 19 of MI Instr book on what part—A, B, C, or D is used.

If TS entries are done correctly, the correct part is generated.
Schedule 1 Section For Deductions Based on Year of Birth

<table>
<thead>
<tr>
<th>FILER</th>
<th>SPOUSE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>A.</strong> Year of Birth (19xx)</td>
<td><strong>D.</strong> Year of Birth (19xx)</td>
</tr>
<tr>
<td><strong>B.</strong> Age (as of 12-31-2019)</td>
<td><strong>E.</strong> Age (as of 12-31-2019)</td>
</tr>
<tr>
<td>Check if filer received benefits from SSA exempt employment</td>
<td>Check if spouse received benefits from SSA exempt employment</td>
</tr>
</tbody>
</table>

**Indicates SSA Exempt**

**Michigan Standard Deduction.** Complete this line ONLY if the older of you or your spouse (if married) was born during the period January 1, 1946 through December 31, 1952, and reached age 67 on or before December 31, 2019. **Do not complete lines 24 and 25.**

<table>
<thead>
<tr>
<th>23. Michigan Standard Deduction</th>
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</table>

**Retirement benefits.** Enter amount from line 16, 27, 28 or 29 of Form 4884, Michigan Pension Schedule. Include Form 4884.

<table>
<thead>
<tr>
<th>24. Retirement benefits</th>
</tr>
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<tbody>
<tr>
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</tbody>
</table>

Tier 2, Standard Deduction(s) flow here

Pension Subtractions (any Tier) flow here
Where exempt retirement benefits and other + and - flow to
Use Tax
Use Tax

- Use tax flows to Line 23 of the MI 1040 form.
- Use tax is sales tax that should be paid for out-of-state purchases.
- If use taxes equating to 6% of the purchase where paid to another state, use tax is NOT owed. If there is a tax on the purchase equating to less than 6% of the purchase, a reduced use tax will be collected based on the difference.
- Ask: “Did you make any online purchases and not pay sales tax?”
- There is a “Use Tax” formula the client can use that provides a use tax estimate based on AGI.
- TS deals with USE Tax in a straightforward manner, giving the preparer all of the options.

REQUIRED TS ENTRY
MI 1040-USE TAX FORMULA

WORKSHEET 1 - USE TAX

Line 1: Itemized purchases of $0 to $1,000 x 6 percent (0.06) OR
"Table 1 - Use Tax" amount........... $___________

Line 2: Single purchases $1,000 or more x 6 percent (0.06).............. $___________

Line 3: Total Use Tax Due (add Lines 1 and 2).............................. $___________

Enter amount from Line 3 above on your 2019 MI-1040, line 23. If the amount on Line 3 is 0, enter “0” on your 2019 MI-1040, line 23.

TABLE 1 - USE TAX

AGI*                                                                 Tax
$0 - $10,000 ........................................ $2
$10,001 - $20,000 .................................. $6
$20,001 - $30,000 .................................. $10
$30,001 - $40,000 .................................. $14
$40,001 - $50,000 .................................. $18
$50,001 - $75,000 .................................. $25
$75,001 - $100,000 .................................. $35
Above $100,000 ..................................... Multiply AGI by 0.04% (0.0004)

* AGI from MI-1040, line 10.
TaxSlayer (TS) Entry

Michigan Return

Use Tax

If you purchased items to be used or consumed in Michigan but did not pay Michigan sales tax on those items, you must pay Sales or Use Tax to Michigan.

Calculate use tax using tables?

Total Itemized Purchases Under $1,000

Total Single Purchases Over $1,000

BACK

SAVE
Credits: Homestead Property Tax Credit (HPC) & Home Heating Credit (HHC)
Most Common MI State Credits

- Three “refundable” credits in the MI portion – all critical to most of our clients:
  - Earned income credit – 6% of the federal amount
  - Homestead Property tax credit (HPC)
  - Home Heating Credit (HHC)
- Many of our clients will have filing requirement for federal taxes but will file MI taxes due to the lower exemption/standard deduction amount, and the HPC and HHC often apply even if no MI income tax.
Michigan Earned Income Credit

- Michigan Earned Income Tax Credit: automatically calculated by TS.
- This credit flows onto line 27b of MI-1040 (line 27a will show the Federal Earned Income Credit, which will flow from the federal return).

INFORMATION FLOWS AUTOMATICALLY FROM FEDERAL RETURN IN TS.
Homestead Property Tax Credit & Home Heating Credit

- These two credits are calculated using **Total Household Resources** (a Michigan tax-specific term)
Total Household Resources

*Take out your THR Handout for reference!
Total Household Resources Defined

- THR defined as all income received by all persons of a household in a tax year while members of a household (even if not considered taxable income on the Federal Return).
“Income” includes both taxable and income. Technically: Federal adjusted gross income (AGI) plus all income specifically excluded or exempt from the computation of federal AGI.

“Household” is statutorily defined as a claimant and spouse.

A claimant is a person who files a property tax or home heating credit. It includes a husband and wife if they are required to file a joint Michigan tax return.
The income of both spouses must be included in THR if:

1. They are required to file a joint state tax return*, even if the husband and wife do not reside together, or
2. They share a home, regardless of their filing status.

(*Note: If federal return was filed jointly, taxpayers must file a joint Michigan income tax return.)
Examples of Non-Taxable Income Additions to THR

- Child Support
- Worker’s Comp not included in Federal
- FIP or MDHHS Benefits (cash assistance), NOT including Food Stamps
- Supplemental Security Income (SSI)
- Gifts or expenses paid on your behalf over $300

REQUIRES TS ENTRY
Selected total household resources items:

- Supplemental Security Income (SSI)
- Dependent’s Social Security Benefits and SSI
- Cash assistance from the Department of Education for the payment of child care
- Nontaxable gain from the sale of a main home
- Capital loss carryover
- Nontaxable scholarships
Supplemental Security Income (SSI) is administered by the Social Security Administration and is cash assistance for people with limited income and resources who are:

- Age 65 or older, or
- Blind, or
- Disabled

SSI is paid on the first of the month.

Social Security benefits are typically paid on the third of the month, or on the first or third Wednesday of the month.

Maximum SSI for an individual in 2019 is $771 per month.

SSI is reported on the same line as Social Security benefits on the Michigan credit claim forms.

* $1157
Married
State SSI

- Individuals receiving Supplemental Security Income (SSI) usually also receive State SSI.

- State SSI is administered by the Michigan Department of Health and Human Services (MDHHS).

- Individuals typically get $14 per month, which is paid quarterly in the amount of $42 each March, June, September and December. The total for the year is $168.

- State SSI is included in Total Household Resources and should be reported on the line for *Other nontaxable income*. Do not report it on the line for Social Security/SSI or on the line for FIP and other MDHHS benefits.
Dependent’s Social Security Benefits and SSI

- Include in total household resources any Social Security benefits and/or Supplemental Security Income received *for* a minor child or dependent adult who lived with the taxpayer.
  - This is where the taxpayer (or spouse) is the payee
  - The entire amount is included in THR on the same line for Social Security benefits and SSI

- State SSI received *for* a dependent is included on the line for Other nontaxable income.

- If Social Security benefits and/or SSI is paid directly to the dependent adult, it is not necessarily included in THR.
  - Only include any amount that the dependent contributed to the filer’s household and other expenses. Report it on the line for *Gifts or expenses paid on your behalf.*
TaxSlayer Entries for SSI and for Dependent’s Benefits

**Homestead Property Tax and Home Heating Credit page in TaxSlayer**

- The total of the income below is entered in one entry box:
  - Supplemental Security Income received by the taxpayer and/or spouse
  - Social Security benefits received *for a dependent(s)*
  - Supplemental Security Income received *for a dependent(s)*

- Consider using the Notes feature in TaxSlayer to identify the type(s) of benefit and the amount(s) that were entered in the box.
Cash Assistance from the Department of Education for the Payment of Child Care

- Parents who receive cash assistance from the Department of Education for the payment of child care must include the total for the tax year in total household resources.

- It is included in THR regardless of any payments made to the child caregiver.

- **TaxSlayer Entry:** Payments made to parents from the Department of Education for child care should be reported on the line for Other nontaxable income on the Homestead Property Tax and Home Heating Credit page on the parent’s return.
Nontaxable Gain from the Sale of a Home

- A net capital gain or loss included in AGI will carry forward to the Michigan credit claims.
- Any excluded gain realized from the sale of a main residence must also be included in total household resources.
- **TaxSlayer Entry:** The excluded gain should be shown on the line for capital gains less capital losses of the Michigan credit claims; however, TaxSlayer does not allow for this.
  - Enter the excluded gain in the field for Other nontaxable income on the *Homestead Property Tax and Home Heating Credits* page.
Nontaxable Scholarships and Forgiveness of Debt

- Nontaxable scholarships
  - Taxable scholarships included in AGI will carry forward to the Michigan credit claims
  - Nontaxable scholarships must also be included in THR for the recipient of the scholarship

- **TaxSlayer Entry:** Enter nontaxable scholarships as Other nontaxable income on the recipient’s Homestead Property Tax and Home Heating Credit page.
Deduction for Medical Insurance/HMO Premiums

- Deduction to arrive at Total Household Resources
- CAN deduct premiums paid for the claimant and his/her family for:
  - Medical insurance
  - Dental insurance
  - Vision insurance
  - Prescription drug plan
  - Automobile insurance (medical care cost only)
- CANNOT deduct amounts paid for/with:
  - Long-term disability insurance
  - Long-term care insurance
  - Pre-tax payroll contributions for health insurance
- DO NOT include insurance premiums:
  - Deducted on the line for Social Security, etc., on the credit claims (i.e., Medicare Parts B, C, and/or D; Medicare Advantage plan)
  - Deducted on the line for Other adjustments on the credit claims (e.g., self-employed health insurance and Health Savings Account (HSA) deductions from the federal return)
If insured through the Marketplace:

- Insurance premium must be reduced by the federal Premium Tax Credit
- Use federal Form 8962, Premium Tax Credit (PTC), to calculate the net insurance premium
  - The annual total insurance premium (line 11A or the sum of lines 12A through 23A of U.S. Form 8962) minus the total premium tax credit (line 24 of U.S. Form 8962) may be claimed
Auto PIP (Personal injury protection):
- Use $130 as the allowable amount per insured vehicle paid for the claimant and his/her family
- If a higher amount can be proven for the medical care portion of car insurance, the higher amount can be used
  - The medical care portion premium must be clearly identified
    (Auto PIP in Michigan covers medical expenses, lost wages, survivor losses, and a certain amount per day for replacement services.)
Homestead Property Tax And Home Heating Credit MI-1040CR, MI-1040CR-2, And MI-1040CR-7

You CANNOT claim both the MI-1040CR and the MI-1040CR-2. ONLY complete ONE of the two credit forms to ensure accurate calculation of the eligible credit.

These two are the most common credits for which our clients are eligible. See Total Household Resources/Income Ceilings posted to determine if your client is eligible before proceeding.

We will carry over income from your Federal return to determine the household income for these credits. Report any of the nontaxable income below that you have received to complete the household income section of these forms.

Other taxable income not reported on Form 1040

$Goes to CR Line 20

Description of other taxable income

SUBTRACTION

Enter the amount of Child Support you received during 2019

$Goes to CR Line 22

Enter any Workers compensation, veterans disability compensation and pension benefits that you received and are not included in your Federal income

$Goes to CR Line 26

$See CR Line 27 below

Do not enter SSI-related FIP or MDHHS benefits here. See Line 21

Enter any additional Social Security Benefits and Supplemental Security Income (SSI) that you did NOT report on your federal tax return

$See CR Line 21 below

Include both SSI and related FIP/MDHHS benefits

$See CR Line 24 below

Exclude the first $300.

$See CR Line 25 below

Enter the description of other nontaxable income from above

Additional Adjustments to Income

$See CR Line 30 below

Do not use these boxes. Adjustments are auto-populated in the MI 1040 CR

$See CR Line 25 below

Description of additional adjustments to income

Must enter if using preceding box
Homestead Property Tax Credit (HPC)
Homestead Property Tax Credit Overview

- Renters and homeowners can possibly qualify for the credit.
- They each have their own criteria.
- This is the ONLY place (in Federal & State taxes) that allows taxpayers to go back up to 4 years to claim this credit.
Homestead Property Tax Credit
The Basics

◆ Beginning with tax year 2018:
  - Maximum total household resources is $60,000
  - The phase out begins when THR exceeds $51,000
  - Maximum credit is $1,500
  - Percentage of rent used is 23% (unless service fee housing, then 10%)
  - The threshold by which property taxes levied or percentage of rent exceeds THR is 3.2% (for most filers)
    - Property taxes and/or percentage of rent minus 3.2% of THR is the beginning calculation for the credit
  *Or Co-Op Housing (usually less than 23%)*
Homestead Property Tax Credit
Criteria

Who May Claim a Property Tax Credit?

- An individual who was a resident of Michigan for at least six months
- The individual was billed for property taxes or paid rent on Michigan homestead
- The individual must be the occupant as well as the owner or renter (contracted to pay rent)
- The property must be subject to property tax or a service fee in lieu of property tax
- Property must have a taxable value of $135,000 or less
- Total household resources cannot exceed $60,000
- Filers claimed as a dependent must show support on line 24 of the claim (gifts or expenses paid on his or her behalf)
Who May NOT Claim a Property Tax Credit?

- An individual whose sole source of income is FIP assistance or other MDHHS benefits
- Those with total household resources over $60,000
- Those with homesteads with taxable value over $135,000
Form MI-1040CR-2, Homestead Property Tax Credit for Veterans and Blind People

- Blind homeowners and veterans are eligible to claim the property tax credit using Form MI-1040CR-2, specifically:
  a. Blind and own your own homestead
  b. Veteran with service-connected disability or veteran’s surviving spouse
  c. Surviving spouse of veteran deceased in service
  d. Active military, pensioned veteran or his/her surviving spouse
  e. Surviving spouse of a non-disabled or non-pensioned veteran of the Korean War, World War II, or World War I

- For “d” and “e” above, if THR is more than $7,500 the MI-1040CR-2 cannot be used

- For veterans who were renters, the non-homestead millage rate is needed

- Use the claim form that results in the higher credit
Mobile Home Park Resident

- May claim $3 per month specific tax up to a maximum of $36 and 23% of the yearly rent amount less the specific tax
- If additional taxes paid on attached buildings (garage, tool shed, etc.), then may also claim that amount
- TAXSLAYER entries on the Renter Information page:
  - For Monthly Rent, enter the full amount the resident paid
  - At the bottom of the page, answer Yes to the two questions regarding lot rent
  - Example: Resident paid $503 per month for 12 months which includes the $3 specific tax. After entries above are made (entering $503 for monthly rent), Form MI-1040CR will show $36 of property taxes levied on page 1, and $500/month will be shown in the Renter’s section to calculate the yearly amount of rent paid
Alternate Housing Facilities

- Subsidized Housing
- Service Fee Housing
- Cooperative Housing
- Special Housing
Subsidized Housing

◆ If housing costs (rent) are subsidized:
  - The filer claims only the total he or she paid
  - Amounts paid on his or her behalf by a government agency are not included
Service Fee Housing

- What is it?
  - Housing property that is subject to a service fee in lieu of property taxes

- What is the impact on the property tax credit claim?
  - Percentage of rent claimed is 10% instead of 23% that is used for housing subject to property tax

- When should Treasury’s Service Fee Housing list be utilized? (Located at www.michigan.gov/taxes, then click on Tax Professionals)
  - The list should be referenced often
  - If client’s address is on the list, calculate the credit as service fee housing on the claim
  - If client disagrees, it is his or her responsibility to find out the correct property tax status before preparing the claim
    - Client should contact local assessor or property owner
Subsidized Housing & Service Fee Housing

TaxSlayer entries for two scenarios:

- If filer’s housing was both subsidized housing and service fee housing
  - Check service fee housing only on the Occupants of Housing Facility page
- Filer lived and rented at service fee housing for part of the year and in subsidized housing for another portion of the year
  - Mark service fee housing for the period lived at service fee housing
  - Complete the Renter’s section for the period lived in subsidized housing
Cooperative Housing

- Cooperative housing corporation resident members:
  - Claim their share of property taxes on the building
  - If they lived in a cooperative where residents pay rent on the land under the building, they may also claim 23% of that land rent
  - DO NOT enter their monthly payment (e.g., carrying charge) on the claim – They are not allowed to claim 23% of their monthly payment.
  - Residents should receive a letter from management stating their percentage share of taxes
    - Multiply this percentage by the resident’s total carrying charges for the year to determine his or her share of property taxes
January 22, 2015

To: All Members of University Townhouses Cooperative
From: University Townhouses Cooperative Management
RE: Interest and Real Estate Taxes included in Carrying Charges for Federal and State Income Tax Purposes for 2014

A portion of your monthly Carrying Charges were used to pay the mortgage interest and real estate taxes for the Cooperative. The following percentages can be used to calculate the amount of your Carrying Charges applied to these expenses.

Simply multiply the total amount of Carrying Charges that you paid in 2014 by the percentages shown below to figure your tax and interest payments. (NOTE: Carrying charges are your BASIC MONTHLY FEES ONLY and DOES NOT include Surcharges or any other fees paid.)

<table>
<thead>
<tr>
<th>Type</th>
<th>Percentage Applicable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest</td>
<td>9.54 %</td>
</tr>
<tr>
<td>Taxes</td>
<td>12.86 %</td>
</tr>
</tbody>
</table>

The taxable value for all the real estate within the cooperative has been pro-rated based upon the unit size for use on your MI-1040 income tax return. Those pro-rated values are as follows:

One Bedroom Townhouse $ 12,210
Two Bedroom Townhouse $ 16,695
Three Bedroom Townhouse $ 18,537

If you have any questions regarding the above information, please contact the IRS or your tax advisor. The management staff is NOT qualified to help with specific tax questions.

Sincerely,

UNIVERSITY TOWNHOUSES COOPERATIVE

Management Office
Special Housing Defined
(per RAB 2017-8)

- Special housing defined:
  - Care facilities such as nursing homes, foster care homes, and homes for the aged, (including assisted living facilities), whether licensed or unlicensed
  - Not subject to the $135,000 taxable value limitation
  - It includes apartments for which claimants pay a single monthly charge that covers rent and meals
  - It does not include cooperatives
  - Special housing is the homestead of a permanent resident
For tax year 2016 and later, claimants in special housing are generally required to use rent to calculate the property tax credit:

- The claimant must have a monthly statement from the landlord that itemized rent, food, services and other items, or
- Must obtain a letter from the landlord that states the portion of the monthly payment that is for rent.
- Enter the rent paid in the Renters section of the property tax credit claim.

In order to claim rent, clients will need to show us a monthly bill or a letter that clearly itemizes the rent portion.

Exception: Credit is not allowed if your care facility charges are paid directly to the facility by a government agency.
Special Housing Credit Computation (continued)

- If a claimant is unable to determine the portion that constitutes rent, he or she is allowed to use a proportionate share of property taxes levied on the special housing.
  - Licensed bed facility – Share of taxes is calculated by dividing the amount of property taxes levied by the number of licensed beds and multiplying that percentage by the property taxes levied on the facility.
  - Unlicensed bed facility – Share of taxes may be calculated by dividing the square footage of the apartment/unit by the total square footage of the facility/property and multiplying that percentage by the property taxes levied on the facility.
Michigan Department of Treasury issues a Resident Rent or Share of Facility Property Tax letter to facilities advising them of what they need to provide their residents.

The facilities are also asked to complete a form that will assist Treasury in assessing Property Tax Credit Claims.

Both the letter and the form (Form 4791) are included in the handouts for your reference.
A Michigan homestead maintained elsewhere by the spouse is considered a part of the same homestead:
- If filing a joint return, spouses combine the THR of each and combine the property taxes or statutory percentage of rent paid for each.

A single person who is a permanent resident of special housing and also owns the house he or she formerly occupied may claim for credit either:
- The taxes on the house (if not rented), OR
- His or her itemized rent paid/share of taxes levied on the facility,
- But not both.
HPC – LOOKING AT PROPERTY TAX BILLS

• **Add** winter & summer property tax bills on homestead, **billed** in 2019.

• **Amounts NOT Eligible** for inclusion in Line 10: Property Taxes Levied:
  - Property taxes on cottages, second homes, or extra lots not listed as homestead.
  - Taxes **paid** in tax year, but levied (billed) in a previous year.
  - Penalty and interest on delinquent payments.
  - Delinquent water or sewer bills.
  - **Special assessments** for drains, sewers, a street light, etc.; not based on taxable value or not applied to entire jurisdiction. These are more common in townships than in cities.
HPC SPECIAL SITUATIONS-SHARING ABODE

• SINGLE ADULTS SHARING AN APARTMENT (co-occupants, each must be on the lease). Each may file an individual claim, based on his/her THR, but rent is split evenly and differences in amount actually paid are accounted for in THR as a gift from payer to non payer.
  ○ MUST SIGN LEASE (or be on deed of house) to claim HPC

• INDIVIDUAL WHO HAS MOVED IN WITH FAMILY. Your client may contribute more or less regularly to expenses. But unless there is a lease contract with the home-owning relative, your client may not file for Homestead Credit as a renter. Moreover, if there were such a contract, the landlord-relative would need to file Federal Schedule E to report rental income, and could not claim the full property taxes for Homestead Credit.
<table>
<thead>
<tr>
<th>Michigan Return</th>
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</thead>
<tbody>
<tr>
<td>Basic Information</td>
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<tr>
<td>Income Subject to Tax</td>
</tr>
<tr>
<td>Additions to Income</td>
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<tr>
<td>Subtractions from Income</td>
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<tr>
<td>Credits</td>
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<td>Voluntary Contributions</td>
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<tr>
<td>Use Tax</td>
</tr>
<tr>
<td>Payments</td>
</tr>
<tr>
<td>Miscellaneous Forms</td>
</tr>
<tr>
<td>City of Detroit Return</td>
</tr>
</tbody>
</table>

EXIT MICHIGAN RETURN
HPC: TaxSlayer (TS) Entry

**Michigan Return**

Credits

Certain credits such as Earned Income Credit are automatically calculated and carried to your state return. Below are additional credits available through the state that can either lower your total tax due or increase your refund amount. Enter the information requested for all those that apply to you.

- Homestead Property Tax and Home Heating Credit (MI-1040CR, MI-1040CR2 and MI-1040CR7)
- Credit for Taxes Paid to Another State
- Farmland Preservation Tax Credit Claim MI-1040CR5
HPC: TaxSlayer (TS) Entry

Michigan Return

Homestead Property Tax And Home Heating Credit MI-1040CR, MI-1040CR-2, And MI-1040CR-7

You CANNOT claim both the MI-1040CR and the MI-1040CR-2. ONLY complete ONE of the two credit forms to ensure accurate calculation of the eligible credit.

- Homestead Property Tax Credit Claim (MI-1040CR)
- Homestead Property Tax Credit Claim for Veterans and Blind People (MI-1040CR-2)
- Home Heating Credit (MI-1040CR-7)
Note: Part 2 Renter means in a full property taxpaying building

Note: Part 3 includes folks that are also renters: Section 8, Subsidized Housing, Co-Op Housing
Part 1: For Homeowners (TaxSlayer)

Michigan Return

Part 1: Complete If You Are A Homeowner

Enter the 2019 Taxable Value of your Homestead from your 2019 property tax statement or assessment notice.

$ 31000

From property tax statement

Enter the Property Taxes Levied on your homestead (DO NOT enter an amount here if you bought or sold your home in 2019 or paid service fees) or were a nursing home occupant and complete the following information

$ 1439

Property taxes LEVIED for the tax year, minus any special assessments.

If you bought your home during 2019 complete the following information

Enter the Number of days you occupied the Home Bought

0

Enter the Property Taxes Levied on the Home Bought

$ 

If the Home Bought listed above is not the home you lived in on December 31, 2019, then complete the information requested below; otherwise, leave it blank

Enter the street address of the Home Bought

Enter the ZIP code of the Home Bought

12345

Enter the city of the Home Bought

Enter the state of the Home Bought

Select

Taxable value of the Home Bought

$
Part 1: For Homeowners (Michigan Form CR-1)

8. Homestead Status
   □ Check here if the taxable value of your homestead includes unoccupied farmland classified as agricultural by your local assessor.

9. Homeowners: Enter the 2019 taxable value of your homestead (see instructions). If you did not check box 8 above and your taxable value is greater than $135,000, STOP; you are not eligible. Farmers: enter the taxable value of your homestead, including eligible unoccupied farmland.
   
   Taxable value
   
   Property tax calculation

10. Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57

   
   
   
   TOTAL HOUSEHOLD RESOURCES. If filing a joint return, include income from both spouses. If married filing separately, you must include Form 5410.
Part 2: For Renters (TaxSlayer)

Note: Part 2 Renter means in a full property taxpaying building

Note: Part 3 includes folks that are also renters: Section 8, Subsidized Housing, Co-Op Housing
Part 2: For Renters (TaxSlayer)

Most common scenario for Renters:

Complete all information required in this section. Must have address of rental residence, Landlord’s name and address, AND monthly rent paid.

Taxpayer’s name must be on lease. Multiple single renters (filing separate returns) at one address may claim the credit, but the information entered on the tax return must be prorated for his/her share of the rent and his/her own THR.

Monthly Rent: $2000

Number of Months Rented for amount above: 12

Did you pay lot rent on your mobile home? No

If you paid lot rent on your mobile home, was it included in your rent? No

Can use average rent if it changed during tax year

If more than one Rental Ino pages, total cannot exceed 12
<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>10. Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57</td>
<td>00</td>
</tr>
<tr>
<td>11. Renters: Enter rent you paid for 2019 from line 53 and/or 55</td>
<td>6000 00</td>
</tr>
<tr>
<td>12. Multiply line 11 by 23% (0.23)</td>
<td>1380 00</td>
</tr>
<tr>
<td>13. Total. Add lines 10 and 12</td>
<td>1380 00</td>
</tr>
</tbody>
</table>

TOTAL HOUSEHOLD RESOURCES. If filing a joint return, include income from both spouses. If married filing separately, you must include Form 5049.
Mobile Home (TaxSlayer)

Rental in a mobile home

Is the address of the homestead different from the mailing address on your tax return? If so, answer YES and enter the address of your homestead for this credit below.

No

Street Address of Homestead

ZIP Code of Homestead
12345

City of Homestead

State of Homestead

Landowner's Name

MCKINLEY

Landowner's Street Address
1 PLATT RD

Landowner's ZIP Code
48104

Landowner's City

ANN ARBOR

Landowner's State

Michigan

Monthly Rent

$ 503

Number of Months Rented for amount above

12

Did you pay lot rent on your mobile home?

Yes

If you paid lot rent on your mobile home, was it included in your rent?

Yes

Complete Land Owners information completely

Answer “Yes” to both questions
### Mobile Home (Michigan Form CR-1)

#### PART 4: RENTERS

<table>
<thead>
<tr>
<th>A</th>
<th>B</th>
<th>C</th>
<th>D</th>
<th>E</th>
</tr>
</thead>
<tbody>
<tr>
<td>Address of Homestead You Rented (Number, Street, Apt. #, City, State, ZIP Code)</td>
<td>Landowner's Name and Address (City, State and ZIP Code)</td>
<td>% Months Rented</td>
<td>Monthly Rent</td>
<td>Total Rent Paid</td>
</tr>
<tr>
<td>MAIN ANN ARBOR MI 48104</td>
<td>MCKINLEY 1 PLATT RD ANN ARBOR MI 48104</td>
<td>12</td>
<td>500 00</td>
<td>6000 00</td>
</tr>
</tbody>
</table>

Note $3 taken out of monthly rent.

#### PART 5: ALTERNATE HOUSING FACILITIES (see instructions)

8. Homestead Status
   - Check here if the taxable value of your homestead includes unoccupied farmland classified as agricultural by your local assessor.

9. Homeowners: Enter the 2019 taxable value of your homestead (see instructions). If you did not check box 8 above and your taxable value is greater than $135,000, STOP; you are not eligible. Farmers: Enter the taxable value of your homestead, including eligible unoccupied farmland.

10. Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57

11. Renters: Enter rent you paid for 2019 from line 53 and/or 55

12. Multiply line 11 by 23% (0.23)

13. Total. Add lines 10 and 12

Remaining monthly rent of $500 used to calculate imputed property tax.

Note $3 taken out of monthly rent is included as property tax.
Service Fee Housing (TaxSlayer)

Homestead Property Tax Credit Claim MI-1040CR

learn more

We have carried your Personal Information to Form MI-1040CR. Complete the questions below to finalize the personal information section of the form and corresponding Parts 1, 2, 3 below.

Are you eligible for the Homestead Property Tax Credit?
- Yes

Select whether you are a Homeowner or Renter
- Renter

Are you an unmarried spouse of person who was 65 or older at the time of death?
- --Select--

Does the taxable value of your homestead include unoccupied farmland classified as agricultural by your assessor?
- --Select--

Part 1: Complete if you are a Homeowner

Part 2: Complete if you are a Renter

Part 3: Complete if you are an Occupant of a Housing Facility

Worksheet 2105 for Separated or Divorced Taxpayers
Service Fee Housing (TaxSlayer)

Select **Service Fee housing** if property is on the Service Fee Housing List (located on Desktop, Ctrl+F to search for specific street address.)

Enter total rent paid **by the taxpayer** for the full year.
Service Fee Housing (Michigan CR-1 Form)

PART 5: ALTERNATE HOUSING FACILITIES (see instructions)

54. If you lived in one of these types of facilities for all or part of 2019, check the appropriate box and see instructions.
   a. ☐ Subsidized Housing: complete line 55. Enter result on line 11.  
   b. ☒ Service Fee Housing: complete lines 55 and 56.

55. Enter the total rent you paid in 2019 while a resident of an Alternate Housing Facility. Do not include amounts paid on your behalf by a government agency. ........................................... 55. 60000 00

56. If you checked box 54b, multiply line 55 by 10% (0.10) (see instructions). Enter here and on line 10.... 56. 600 00

57. Special Housing: If you lived in one of these types of facilities for all or part of 2019, check the appropriate box (see instructions).
   a. ☐ Cooperative Housing  
   b. ☐ Home for the Aged  
   c. ☐ Nursing Home
   d. ☐ Adult Foster Care Home  
   e. ☐ Paid Room and Board

Enter your prorated share of taxes from the type of facility checked on line 57 here and on line 10..... 57. 00

58. Name and Address (including City, State and ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed lines 54 through 57.

SMITH 1 PLATT RD, Ann Arbor MI 48104

DIRECT DEPOSIT

8. Homestead Status
   ☐ Check here if the taxable value of your homestead includes unoccupied farmland classified as agricultural by your local assessor.

9. Homeowners: Enter the 2019 taxable value of your homestead (see instructions). If you did not check box 8 above and your taxable value is greater than $135,000, STOP; you are not eligible.
   Farmers: enter the taxable value of your homestead, including eligible unoccupied farmland ................. 9. 00

$ 600 comes forward to page 1 line 10 of MI1040CR

10. Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57 10. 600 00

11. Renters: Enter rent you paid for 2019 from line 53 and/or 55 ................. 11. 00

12. Multiply line 11 by 23% (0.23)

13. Total. Add lines 10 and 12 13. 600 00

TOTAL HOUSEHOLD RESOURCES. If filing a joint return, include income from both spouses. If married filing separately, you must include Form 5049.
Subsidized Housing (TaxSlayer)

Michigan Return

Homestead Property Tax Credit Claim MI-1040CR

We have carried your Personal Information to Form MI-1040CR. Complete the questions below to finalize the personal information section of the form and corresponding Parts 1, 2, 3 below.

Are you eligible for the Homestead Property Tax Credit?
Yes

Select whether you are a Homeowner or Renter
Renter

Are you an unmarried spouse of person who was 65 or older at the time of death?
--Select--

Does the taxable value of your homestead include unoccupied farmland classified as agricultural by your assessor?
--Select--

Part 1: Complete if you are a Homeowner

Part 2: Complete if you are a Renter

Part 3: Complete if you are an Occupant of a Housing Facility

Worksheet 2105 for Separated or Divorced Taxpayers

BEGIN
EDIT
BEGIN
Michigan Return

Part 3: Complete If You Are An Occupant Of A Housing Facility

If you lived in any alternate housing facility listed below, enter the name and address of Housing facility, landowner, or care facility selected

Name of Housing Facility, Landowner or Care Facility

Street Address of Housing Facility, Landowner or Care Facility

ZIP Code of Housing Facility, Landowner or Care Facility
12345

City of Housing Facility, Landowner or Care Facility

State of Housing Facility, Landowner or Care Facility
--Select--

Always fill this out
Subsidized Housing (TaxSlayer)

Select **Subsidized Housing** if taxpayer has a Section 8 voucher or receives assistance with paying rent.

Enter total rent paid by the taxpayer for the full year.
Subsidized Housing (Michigan Form CR-1)

PART 5: ALTERNATE HOUSING FACILITIES (see instructions)
54. If you lived in one of these types of facilities for all or part of 2019, check the appropriate box and see instructions.
a. [X] Subsidized Housing: complete line 55. Enter result on line 11.

55. Enter the total rent you paid in 2019 while a resident of an Alternate Housing Facility. Do not include amounts paid on your behalf by a government agency.

56. If you checked box 54b, multiply line 55 by 10% (0.10) (see instructions). Enter here and on line 10...

57. Special Housing: If you lived in one of these types of facilities for all or part of 2019, check the appropriate box (see instructions).
a. [ ] Cooperative Housing
b. [ ] Home for the Aged
c. [ ] Nursing Home
d. [ ] Adult Foster Care Home
e. [ ] Paid Room and Board

58. Name and Address (including City, State and ZIP Code) of Housing Facility, Landowner, or Care Facility if you completed lines 54 through 57.

SMITH 1 PLATT RD, Ann Arbor MI 48104

10. Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57

11. Renters: Enter rent you paid for 2019 from line 53 and/or 55

12. Multiply line 11 by 23% (0.23)

13. Total. Add lines 10 and 12

Note: Subsidized Housing gets full 23%
Cooperative Housing (TaxSlayer)

Note: Co-Op housing entries include an entry in Part 1 for the Taxable Value of property AND an entry in Part 3 for the prorated share of taxes calculated from the Co-Op letter.
First Step: Cooperative Housing (TaxSlayer)

Homestead Property Tax Credit Claim MI-1040CR

Are you eligible for the Homestead Property Tax Credit?
- Yes

Select whether you are a Homeowner or Renter
- Renter

Are you an unmarried spouse of person who was 65 or older at the time of death?
- --Select--

Does the taxable value of your homestead include unoccupied farmland classified as agricultural by your assessor?
- --Select--

Part 1: Complete if you are a Homeowner

Part 2: Complete if you are a Renter

Part 3: Complete if you are an Occupant of a Housing Facility

Worksheet 2105 for Separated or Divorced Taxpayers

Learn more

We have carried your Personal Information to Form MI-1040CR. Complete the questions below to finalize the personal information section of the form and corresponding Parts 1, 2, 3 below.

Click “Yes” here it enable entering “Taxable Value”

Also answer “Yes” as renter

Go to Part 3
Second Step-Part 1: Cooperative Housing (TaxSlayer)

First, go here to enter taxable value of Co-Op unit

Do NOT enter property taxes for Co-Op owners/renters here. They do not get to claim the full 23% of the credit. This requires a special entry in Part 3 instead.
Part 3: Complete If You Are An Occupant Of A Housing Facility

If you lived in any alternate housing facility listed below, enter the name and address of Housing facility, landowner, or care facility selected

Name of Housing Facility, Landowner or Care Facility

Street Address of Housing Facility, Landowner or Care Facility

ZIP Code of Housing Facility, Landowner or Care Facility

City of Housing Facility, Landowner or Care Facility

State of Housing Facility, Landowner or Care Facility

--Select--
For Cooperative Housing, prorated tax information is calculated from a letter provided to Co-Op residents. Calculate the value to enter here by multiplying the % of taxes listed by the client’s monthly “Carrying Charge” (rent).

Answer “Yes”

All other situations require either a letter or a calculation — see MI instruction Manual

$1852
Cooperative Housing (Michigan Form CR-1)

**PART 5: ALTERNATE HOUSING FACILITIES (see instructions)**

54. If you lived in one of these types of facilities for all or part of 2019, check the appropriate box and see instructions.

- a. [ ] Subsidized Housing: complete line 55. Enter result on line 11.
- b. [ ] Service Fee Housing: complete lines 55 and 56.

55. Enter the total rent you paid in 2019 while a resident of an Alternate Housing Facility. Do not include amounts paid on your behalf by a government agency. 55. [ ] 00

56. If you checked box 54b, multiply line 55 by 10% (0.10) (see instructions). Enter here and on line 10. 56. [ ] 00

57. [ ] Special Housing: If you lived in one of these types of facilities for all or part of 2019, check the appropriate box (see instructions).

- a. [x] Cooperative Housing
- b. [ ] Home for the Aged
- c. [ ] Nursing Home
- d. [ ] Adult Foster Care Home
- e. [ ] Paid Room and Board

Enter your prorated share of taxes from the type of facility checked on line 57 here and on line 10. 57. [ ] 1852 00

Name and Address (including City, State and ZIP Code) of Housing Facility, Landowner, or Care Facility as you completed lines 54 through 57:
UNIVERSITY TOWNHOUSE 3200 BRAEBURN CIR, ANN ARBOR MI 48108

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**Page 1 of MI1040CR**

8. **Homestead Status**

[ ] Check here if the taxable value of your homestead includes unoccupied farmland classified as agricultural by your local assessor.

9. **Homeowners:** Enter the 2019 **taxable value** of your homestead (see instructions). **If you did not check box 8 above and your taxable value is greater than $135,000, STOP; you are not eligible.**

**Farmers:** enter the **taxable value** of your homestead, including eligible unoccupied farmland. 9. [ ] 18537 00

10. **Property taxes levied on your home for 2019 (see instructions) or amount from line 51, 56 and/or 57** 10. [ ] 1852 00

11. **Renters:** Enter rent you paid for 2019 from line 53 and/or 55. 11. [ ] 00

12. Multiply line 11 by 23% (0.23). 12. [ ] 00

13. **Total. Add lines 10 and 12** 13. [ ] 1852 00

**TOTAL HOUSEHOLD RESOURCES. If filing a joint return, include income from both spouses.**

If married filing separately, you must include Form 5410.**
Thr and HPC: Special Situation

- Michigan will reject/disallow Homestead Property Credits in which rent/property taxes is unusually large compared to THR
- Claimant may be living off savings, borrowing to pay, or someone else is helping them pay.
- Internally, we use an “80%” rough guideline. If taxpayer’s rent is more than 80% of their THR, we assume the State will reject it and dig deeper.
THR and HPC: Special Situation (cont’d)

- Example: Client claims $8,000 THR and $600/mo. rent. Michigan won’t believe your client can live on $800/yr. ($8,000-$7,200).

- **Ask:** “Was anyone helping you out financially?—or paying some of your bills?—or providing food, etc.?”

- “Is anyone living with you and paying part of the rent?”

- “How much of the rent did you pay?” **You may find** that a daughter helped with $250/mo; or that the US govt. (Section 8) paid $400/mo. of that rent, and the client only $200/mo.

- If additional income or changes to rent uncovered, add in any additional Gifts to THR section of TS or move Section 8 rent amount to correct place in TS.
THR and HPC: Special Situation (cont’d)

• In some cases, the claimant is living off savings, or is borrowing to pay, in which case documentation with a paper filing (no e-file) will be required showing withdrawals from a savings account or loan information.

• Documentation with a letter and paper filing (no e-file) will be required showing withdrawals from a savings account or loan information, etc.

• Use Letter Template for this purpose saved on Desktop

• Examples of documentation:
  o Bank statements showing withdrawals
  o Cash advances
  o Student loan reimbursement
  o Anything reasonably showing income that would not be reported in THR
Home Heating Credit (HHC)
HHC BASICS

**ELIGIBILITY:** All six needed:

- Homestead (permanent home) is in Michigan.
- Claimant owned or was a tenant in the home (with a lease agreement), and lived therein.
- Claimant did **Not** live in college- or university-operated housing.
- Claimant is **Not** a full-time student claimed as another person’s dependent.
- Claimant is **Not** a full-year resident of a licensed care facility.
- Claimant’s income is within limits (which depend on number of exemptions- shown on previous slide).
- **Filing Deadline** for the 2019 HHC is September 30 of 2020 and there is no provision for failure to file for past years. Can be e-filed with Michigan 1040 returns or as credit-only return.
HHC- 2 Types

The two types of HHC are
1. Standard Credit
2. Alternate Credit
HHC- Standard Credit

- Automatically Calculated by TS. This is NOT calculated based off of actual heating bills/costs.

<table>
<thead>
<tr>
<th>EXEMPTIONS</th>
<th>STANDARD ALLOWANCE</th>
<th>INCOME CEILING</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>$482</td>
<td>$13,757</td>
</tr>
<tr>
<td>2</td>
<td>$652</td>
<td>$18,614</td>
</tr>
<tr>
<td>3</td>
<td>$822</td>
<td>$23,471</td>
</tr>
<tr>
<td>4</td>
<td>$992</td>
<td>$28,328</td>
</tr>
<tr>
<td>5</td>
<td>$1,163</td>
<td>$33,214</td>
</tr>
<tr>
<td>6</td>
<td>$1,333</td>
<td>$38,071</td>
</tr>
<tr>
<td></td>
<td>+ $170 for each exemption over 6</td>
<td>+ $4,857 for each exemption over 6</td>
</tr>
</tbody>
</table>
HHC- Alternate Credit

- Alternate HHC is for heating costs from November 2018 through October 2019.
- DTE and Consumers bills mailed in Dec. 2019-Feb. 2020 should have a footnote giving the correct annual amount. Note that this does **not** include amounts billed for electricity.  *The residential heat total is of interest only if it is >11% of total household resources (THR).*
MI HOME HEATING Alternate CREDIT

• Note the THR income levels are as follows:

<table>
<thead>
<tr>
<th>EXEMPTIONS</th>
<th>MAXIMUM INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-1</td>
<td>$14,632</td>
</tr>
<tr>
<td>2</td>
<td>$19,690</td>
</tr>
<tr>
<td>3</td>
<td>$24,753</td>
</tr>
<tr>
<td>4 or more</td>
<td>$24,918</td>
</tr>
</tbody>
</table>
• Page 2 of the November to January bills will show this:

Ending Read: 3532 (Estimate)
Differential: 35
Constant: 0.1
Correction factor: 1.00000
Usage: 3.5 Mcf

Total Metered Energy Use: 3.5 Mcf

NEWS AND INFORMATION
To help you complete a Home Heating Credit form, here are your 2019 heating costs for 12 months: $4037.41.

For the average Michigan residential customer, renewable energy is estimated to avoid $3.90 per month of new coal-fired generation costs. Customers are expected to save $8.03 each month over the life of the Energy Efficiency programs.


Your bill includes the U-17735 electric rate adjustment, which reflects major investments to enhance reliability, customer service and benefit the environment, including cleaner air. The Michigan Public Service Commission approved the adjustment Nov. 19, 2015. A copy of our filing and explanation of the changes may be viewed at our offices and at http://efile.mpsc.state.mi.us/efile.

Authorized pay agents. Kmart, Walmart and Kroger are among authorized merchants in Michigan that accept payments for Consumers Energy. For sites near you, visit www.ConsumersEnergy.com/waystopay. For your safety, DO NOT USE UNAUTHORIZED PAYMENT CENTERS.


Save energy with tips, tools, rebates and incentives. Get more than 100 ways to save and payment assistance at www.ConsumersEnergy.com/energyanswers.

If you pay after the due date, a 2% late payment charge will be added to your next bill.

Please make any inquiry or complaint about this bill before the due date listed on the front. Visit ConsumersEnergy.com/aboutmybill for details about the above charges.
HHC- DTE ENERGY

- P2 of November to January DTE Energy bills also have the home heating amount for the HHC:

Your electric bill includes the Transitional Recovery Mechanism (TRM) surcharge, which was approved by the MPSC to recover a portion of the costs associated with expanding our distribution system to serve former City of Detroit Public Lighting Department customers. This charge is effective for three months and will be approximately $1.70 each month for the average residential customer, using 650 kwh per month.

Your home heating cost from November 1, 2018 to October 31, 2019 was $1,166.82. This information is needed if you apply for the Michigan home heating tax credit.

To help ensure safe and reliable natural gas service, keep outdoor gas meters clear of leaves, debris, ice and snow. Learn more at dteenergy.com/gassafety.

Detail of Current Charges
HHC-LICENSED CARE FACILITIES

• **Full-year** residents of a care facility are not eligible for HHC. **DO NOT FILE!** (includes nursing home, home for aged, adult foster care home, substance abuse center- CR-7, Line 12).

• **Part-year** residents of a facility do not check a box, but must prorate their standard allowance by **days** of residence.

• If **Married Filing Jointly**, and only one spouse **lived in a care facility**, do not check a box.
Filers whose heating costs are in someone else’s name (other than the landlord)

- Do not check the box for if your heating costs are currently included in your rent
- These filers will receive an Energy Draft which they can’t use
- Instructions tell them to return the Energy Draft with a note of explanation to Treasury
  - Treasury will review the explanation and, if appropriate, reissue the credit in the form of a check
  - It may take 120 days or more to issue the check
  - If request for a check is denied, filer has the right to a hearing
Filers whose heating costs are in someone else’s name (other than the landlord)

◆ Recommended procedure

☐ Prepare the Home Heating Credit Claim in TaxSlayer
☐ Advise the client that they will receive an Energy Draft for the amount of their credit
☐ They should return the draft to Treasury requesting a check and include a note of explanation
Included in your handouts is a document entitled Michigan Treasury Update

- Changes to Form MI-1040CR-7 include:
  - Requiring the heat provider name code and heat type code
  - Requiring the names, Social Security numbers and ages of all household members
  - Designating each household member’s status as a U.S. citizen or a qualified alien

- The 2019 form is not yet published
- We know nothing more than what it indicated on Treasury’s update
You CANNOT claim both the MI-1040CR and the MI-1040CR-2. ONLY complete ONE of the two credit forms to ensure accurate calculation of the eligible credit.

**Homestead Property Tax Credit Claim (MI-1040CR)**

**Homestead Property Tax Credit Claim for Veterans and Blind People (MI-1040CR-2)**

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

Are you eligible for the Home Heating Credit?

Select

Enter the county where you live

Select

Heat Provider Type Code

Select

Heat Provider Name Code

Select

Are you a US citizen or a qualified alien?

No

Are your heating costs currently included in your rent?

No

Do you want your name and address referred to other government assistance programs?

No

Do you or your spouse now receive Supplemental Security Income (SSI)?

No

How much were you billed for heat between November 1, 2018 and October 31, 2019?

$ 

If you lived in one of these CARE facilities for all of 2019, select one:

If you are a full year resident of MI but occupied your homestead less than 12 months, enter the dates of occupancy below

Beginning date of occupancy

mm/dd/yyyy

Ending date of occupancy

mm/dd/yyyy

If you have qualifying dependents on the federal marked as not a dependent and they qualify as a dependent on the Home Heating Credit, enter the SSN(s) of the qualifying dependent(s) below.

Qualifying Child not a Dependent SSN (1)

123-45-6789

Qualifying Child not a Dependent SSN (2)

123-45-6789

Qualifying Child not a Dependent SSN (3)

123-45-6789

Direct Deposit Information

BEGIN

SAVE

BACK
TaxSlayer (TS) Entry Recap

Michigan Return

**Basic Information**
- ALWAYS Go here: TPD, School district, disabilities for taxpayer(s) and dependent(s)

**Subtractions from Income**
- Will go here if Taxpayer is Tier 1 with qualified retirement income or Tier 3 and SSA Exempt retirement income.

**Credits**
- Usually go here: HPC and HHC

**Use Tax**
- Rare, sometimes go here for Use Tax

**Payments**

**Miscellaneous Forms**
- Rare, go here if deceased taxpayer

City of Detroit Return
Inputting Information for State Sections

- Let’s review State Intake Forms Based on Housing Type
  - Will be different colors based on Housing Type
  - Reference Handouts to see Draft versions
- Use Standard Allowance for HHC if they did not bring utility bill.
- Client can lookup or call for Property Tax Information if they did not bring statement
New This Year For Clinic Operations: For $0 Federal Returns

In order to make it easier for us to electronically file State of Michigan returns when there is no Federal Taxable Income:

**Important: Federal $0 AGI Not Permitted**
A Federal return must be filed with a Michigan return, and the US 1040 must have more than $0 AGI or it will be rejected. If the Federal return has $0 AGI, add $1 as follows: Federal Section>Income>Other Income>Other Income Not Reported Elsewhere Enter $1 in the “Amount” field. For “Description,” type the words, “**IN ORDER TO EFILE**” This will carry to US 1040 Schedule 1, line 8 and to the AGI.
Michigan Quiz & Answers Available Online: uwgive.org/vitaresources
For practice, optional