

Income/Franchise:

Michigan: Newsletter Addresses Implementation of Passthrough Entity Tax and Tiered Structures

Treasury Update Newsletter, Mich. Dept. of Treasury, Tax Policy Division (11/23). A newsletter published by the Tax Policy Division of the Michigan Department of Treasury (Department) addresses some implementation issues for Michigan's passthrough entity tax (PTE) on certain electing flow-through entities with business activity in Michigan [see H.B. 5376 (P.A. 135 (2021)) and previously issued Multistate Tax Alert for more details on this tax], including situations involving tiered entities and indirect credits where the terms "tiered" or "indirect" credits describe credits generated by PTE taxpayers (credit-generating entities) that have one or more direct owners that are other flow-through entities. According to the newsletter, those other flow-through entities cannot claim the credits and must pass them through to their owners via reporting required under statute; and each respective share of a credit is ultimately claimed by taxpayers subject to Michigan individual income tax (*i.e.*, a credit-generating entity's indirect owners). To aide taxpayers with reporting and streamline related return processing, the Department explains that it has developed additional guidance on this issue and changed a form requirement. Please contact us with any questions.

URL: https://www.michigan.gov/treasury/-/media/Project/Websites/treasury/Newsletters/Treasury-Update-Newsletter_Nov2023.pdf

URL: <http://legislature.mi.gov/doc.aspx?2021-HB-5376>

URL: <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-michigan-enacts-flow-through-entity-tax-election.pdf>

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