

Income/Franchise:

Michigan Department of Treasury Bulletin Addresses NOLs and Business Loss Computations Under Several Scenarios

Revenue Administrative Bulletin 2024-23, Mich. Dept. of Treasury (12/4/24). Using several illustrative examples, a Michigan Department of Treasury (Department) revenue administrative bulletin (RAB 2024-23) addresses how to compute federal taxable income, and the treatment of federal taxable income, a net operating loss (NOL) and a business loss (BL) for purposes of computing Michigan corporate income tax (CIT) liability under Chapter 11, Part 2 of the Michigan Income Tax Act (MITA). RAB 2024-23 also discusses the reporting of these amounts on the Michigan CIT return ("Form 4891") but is "limited to corporations reporting business income under Part 2 of the MITA and does not apply to insurance companies and financial institutions that are subject to different taxes under Chapters 12 and 13." Among its topics of discussion, the bulletin notes that an entity that joins a unitary business group (UBG) may bring its BL carryforward to the UBG, and if the entity was part of a prior UBG, it will bring its share of the prior UBG's total BL carryforward.

URL: <https://www.michigan.gov/taxes/rep-legal/rab/2024-revenue-administrative-bulletins/revenue-administrative-bulletin-2024-23>

The bulletin also notes that when a member of a UBG contributed a BL to the UBG in a prior period then leaves the UBG, "it will take its proportionate share of the remaining BL carryforward upon departure." In this situation, the BL carryforward of the UBG is "divided among the UBG and the departing members in proportion to the BL the members would have generated had each member filed separately." Moreover, the "portion of the BL carryforward attributable to a departing member is an amount equal to the BL carryforward of the UBG multiplied by a fraction, the numerator of which is what would have been the BL of that member had that member filed a separate return, and the denominator of which is the sum of what would have been the separate BL of all members of the UBG if those members filed separate returns." Please contact us with any questions.

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