

## Michigan Taxes

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### Business Tax Rates - 2005

Michigan Taxes	Rate
• Michigan Business Tax	Income tax of 4.95% or gross receipts of 0.8%
• Michigan Unemployment Tax	Approx. 2.7% of wages to \$9,500
• Personal and real property tax rates	Contact the Research & Information Center

### Payroll Taxes –State

Employers in the Detroit Region must pay **state (SUTA) unemployment taxes** directly; these are not withholdings from employee paychecks. The federal FUTA tax is currently a flat 6.2 percent rate imposed on the first \$7,000 of wages paid to each employee annually (beyond the first \$7,000 there is no further tax liability for that employee). A credit of up to 5.4 percent may be claimed to reflect paid state unemployment taxes, lowering the FUTA rate down to a maximum of 0.8 percent. The FUTA rate is scheduled to decrease, though the decrease may be postponed.

The **Michigan Unemployment Tax** (or Michigan Unemployment Insurance Tax) is 2.7 percent of wages paid per covered employee up to a limit of \$9,000 for most new businesses. After two years, rates range from 0.1 percent to 12.0 percent, depending on several components, including an “experience rating”, the number of claims filed against an employer’s account (firms with few layoffs will have lower unemployment insurance costs).

#### Tax Relief

Your company may be eligible to reduce its tax burden significantly due to aggressive business attraction programs offered the State of Michigan and county and local governments in the Detroit Region.

### Other Michigan Taxes

Several taxes are levied in Michigan, at both state and local levels. Michigan has a personal income tax that applies to individuals, estates, and trusts. Several cities, including Detroit, also have a personal income tax. Many the state’s taxes are applicable only to specific industries and activities (such as the Beer Tax or Aviation Gasoline Tax). Taxes of principal concern to business include property taxes, sales and use taxes and the Single Business Tax.

**Property taxes** in Michigan are levied at various local levels of government, and apply to both real property (land and buildings) and personal property (fixtures, equipment, furniture, etc). The base of the tax is the “taxable value” of the property, which is then multiplied by the current tax rate, rendered in “mills” (per \$1,000 valuation). Several exemptions do apply, including certain special manufacturing tools. Taxable value is determined by a local tax assessor and increases are capped at 5% annually or the rate of inflation, whichever is less. However, when the property is transferred, it will be reassessed according to State Equalized Value (SEV), equaling 50% of the true cash value. Millage rates in the Detroit Region range from \$22.54 to \$73.19 depending on municipality.

City and village property tax due dates vary, while township and county rates are due December 1. In addition, local governments may also fund public improvements with “special assessments,” ad valorem taxes applied to a “special assessment district” of properties that will benefit from the improvement. A listing of current property tax rates is available from the Research & Information Center.

**The Sales Tax**, a 6 percent tax of the gross proceeds from retail sales of tangible property, is due the 15th day of the month following a sale for most taxpayers. Michigan (along with most states that have a sales tax) also has a companion 6 percent **Use Tax**, levied on items or services purchased tax-free from outside the state but used within the state. If a sales tax was paid on the merchandise or service at purchase, the Use Tax does not apply.

**The New Michigan Business Tax** is a business income and gross receipts tax. It also includes numerous tax credits. While some credits are new, others are retained from the Single Business Tax. The new tax system also includes significant property tax reform, creating certain property tax exemptions for industrial and commercial personal property.

**Business Income Tax** will be assessed on business activity that takes place in Michigan. The base of the tax for all entities will start with Federal taxable income derived from business activity. Business income will be taxed at a rate of 4.95%. A business with gross receipts, apportioned or allocated to Michigan, of less than \$350,000 will not have to file an MBT return or pay any tax.

**Modified Gross Receipts Tax** is based on a modified measure of a company’s gross receipts. The rate of this tax is 0.8%. The tax base is a taxpayer’s gross receipts less “purchases from other firms”, before apportionment.