

Michigan 2012 Update

Summary of tax bill signed by Governor Snyder on May 25, 2011

These changes take effect January 1, 2012

- Beginning Jan. 1, 2012, the Michigan Business Tax will be replaced by the MCIT (Michigan Corporate Income Tax). It will be a 6% income tax on "C" Corporations. S-Corps, Partnerships, LLCs and sole proprietors will be exempt.
- The personal income tax for 2012 will remain at 4.35%. For 2013, the personal income tax will drop to 4.25% and remain there.
- A three-tiered system for taxing retirement income.

People born before 1946 will continue to receive the current exemptions.

Taxpayers born between 1946 and 1952 will have a \$20,000 single or \$40,000 joint retirement exemption in addition to the Social Security and personal exemptions until age 67. Upon turning 67, they receive a \$20,000 single or \$40,000 joint exemption for all income in addition to Social Security and personal exemptions. Regardless of age, if the household resources exceed \$75,000 single or \$150,000 joint, the \$20,000/\$40,000 exemption is eliminated.

Taxpayers born after 1952 will receive the Social Security and personal exemptions until they turn 67. After age 67, they receive a \$20,000 single or \$40,000 joint senior exemption against all types of income. This exemption can be taken instead of the Social Security and personal exemptions if it is more beneficial for the taxpayer. Regardless of age, if the household resources exceed \$75,000 single or \$150,000 joint, the \$20,000/\$40,000 exemption is eliminated.

- The \$600 exemption for children under age 19 is eliminated.
- The \$1,800 exemption for taxpayers 65 and older is eliminated.
- The \$1,800 exemption for taxpayers whose unemployment exceeds 50% of income is eliminated.
- The Homestead credit is eliminated for homes with at taxable value over \$135,000. The credit is also phased out for taxpayers with household income over \$41,000 to \$50,000.

See the Michigan Department of Treasury site for details of the 2012 changes at:

<http://www.michigan.gov/0,4679,7-121--260229--,00.html>

If you have any questions on the 2012 Michigan Income Tax changes to your personal tax situation please give us a call at 586-751-6060.