



Michigan Amends Flow-Through Entity Tax

29 January 2025

On January 17, 2025, Michigan Governor Gretchen Whitmer signed legislation that amends provisions of the state's flow-through entity (FTE) tax. The provisions include the deadline a taxpayer must elect to pay the tax, required disclosures to FTE owners regarding their share of imposed tax, the conditions under which penalties and interest are not assessed, and the Department of Treasury's requirements to claim the credit.

FTE tax election deadline

The bill provides that for tax years beginning on or after January 1, 2024, a Flow-Through Entity is required to file its election with the Department before the last day of the ninth month after the end of the tax year.

Previously, a taxpayer that elected to pay the FTE tax had to file their election with the Department on or before March 15 of that tax year.

Required Disclosure for FTE owners

Previously, FTE owners would receive a disclosure issued by the Department which only included information on the imposed FTE tax paid by the March 15th of that tax year.

As part of the amended provisions, for tax years starting on or after January 1, 2024, the disclosure will now include the owner's share of imposed FTE tax that was paid on or before the date of filing for their annual return; this includes extension. FTE owners now have more time to make payments for their share of the FTE tax while also avoiding mismatched reporting and penalty.

Proof to claim credit

The bill allows the Department the option to require reasonable proof from the taxpayer related to a claimed credit, or any other information required by the Department to administer the credit.



Penalties and interest

Under the amended provisions, the following will apply beginning in the 2024 tax year:

1. Interest and penalties are not assessed if the taxpayer submits four equal payments totaling at least one of the following: (a) 90% of the taxpayer's current year tax liability; or (b) 100% of the taxpayer's previous year tax liability.
2. Interest and penalties are not assessed for any quarterly estimated payment due prior to the taxpayer making the election to FTE tax for that tax year, unless the Department determines that the deficiency is due to the taxpayer's intentional disregard of the law.

Previously, taxpayers that elect to file under the FTE tax with an expected liability of at least \$800 had to file an estimated return and pay the estimated tax in each quarter of the tax year. If the taxpayer's liability for the preceding tax year was less than \$20,000 and the taxpayer made four equal payments equal to the previous year's liability, interest penalties were not assessed.

If you have questions please contact your CPA at Blystone & Bailey, CPAs, PC

Call our office: (989) 772 - 4673

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