

Michigan now paying bonus interest on certain Michigan Business Tax Act refunds



David M. Kall | Saturday, January 17, 2015

As of Jan. 1, 2015, Michigan will pay additional bonus interest on refunds of taxes imposed under the [Michigan Business Tax Act](#) (MBTA) that are not paid either within the later of 90 days after the claim is approved or 90 days after the date established by law for filing the return. The applicable interest rate is three percent per annum for each day the refund is not issued within the required time frame.

Under the legislation, a taxpayer must meet several conditions in order to receive the bonus interest, including the following:

1. The taxpayer claims the refund on an original return that was timely filed;
2. The refund is not adjusted by the department;
3. The return is complete for processing purposes with no calculation errors;
4. The taxpayer has complied with any requests for additional documentation or information within 30 days of that request; and
5. The amount to be refunded is more than \$10.

Signed into law in 2007 by then Gov. Granholm, the MBTA was designed to address deficiencies in state funding, among other things. It imposed a 4.95 percent business income tax and a modified gross receipts tax rate of 0.8 percent. In 2011, Gov. Snyder repealed much of the MBTA, to the relief of groups like the Michigan Business and Professional Association, which opined that the overhaul and resulting simplification of the tax system would be good for businesses.

At the time of Gov. Snyder's repeal, MLive.com reported that Michigan would replace the business income tax and modified gross receipts provisions with a flat six percent tax on the profits of companies doing business in Michigan which file a federal corporate income tax form. This amounted to a \$1.65 billion tax cut for the 100,000 firms paying tax under the MBTA, which was partially offset by an anticipated additional \$1.42 billion in personal income taxes.

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In October 2014, the *Detroit Free Press* reported that Michigan’s “jobs picture is still clouded by slow growth and unemployment.” The article asserted that the promised result from changes to the MBTA, an end to the depression that the state was in, did not come to fruition. Moreover, firms did not create jobs in the numbers that officials anticipated. The *Detroit Free Press* went on to conclude that the result was an additional burden on individual taxpayers; Michigan now collects nearly \$900 million more per year from individuals who lost deductions and credits. And though businesses pay about \$1.7 billion less in taxes per year, job growth has slowed each year since the cuts have been in effect.

The article notes that for most businesses the economy, not tax policy, guides business investment. This observation is consistent with findings from other states’ tax policy debates, as we [previously wrote](#), in the context of Maryland’s midterm gubernatorial election addressing the candidates’ opposing tax strategies.



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