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## Meet Michigan's New Corporate Income Tax

On May 25, 2011, Governor Rick Snyder of Michigan signed into law legislation that dramatically changes the tax landscape for Michigan businesses. The new law replaces the Michigan Business Tax with a corporate income tax, which will apply only to those entities characterized as a "corporation" under the federal income tax code. The tax rate is 6%. The corporate income tax is imposed on a "unitary" business group basis. Income is apportioned to Michigan based solely on sales.

The new law applies multiple nexus standards. Nexus may now be based on either 1) physical presence of more than one day, 2) gross receipts of \$350,000 or more sourced to the state, or 3) an ownership interest or beneficial interest in a flow-through entity (directly or indirectly), that itself has substantial nexus in the state. This third standard is new.

While exempting pass-through entities and S corporations from an entity level tax, the new law imposes a withholding regime on pass-through entities for amounts distributed to its non-resident individual and non-individual members. This withholding regime is also new.

Those clients contemplating 2011 transactions are urged to consider the timing of closing; there could be significant tax minimization by delaying closing until January 1, 2012.

In addition, there are no provisions for the use of net operating losses incurred during the years that the MBT was in effect (2008 through 2011), nor does the new tax contain provisions for new credits after December 31, 2011, other than a small business credit. Businesses with existing state tax credits are urged to contact their tax advisor regarding the use of these credits in the current year.

Please join us on June 20, 2011 at noon, for a complimentary webinar presented by Honigman on the new Michigan Corporate Income Tax that will highlight significant transitional issues, anticipated technical corrections and the impact on the withholding regime.

**CLICK HERE TO REGISTER FOR THE JUNE 20<sup>TH</sup> WEBINAR**

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