

## Income/Franchise:

### Michigan Department of Treasury Explains New Passthrough Entity Tax Election

*Notice: Instructions for Electing Into & Paying the Flow-Through Entity Tax*, Mich. Dept. of Treas. (12/22/21). The Michigan Department of Treasury (Department) issued instructions and guidance pursuant to legislation enacted in 2021 [see H.B. 5376 (Public Act 135 (2021))] and previously issued Multistate Tax Alert for more details on this new law] that provides a passthrough entity tax on certain electing flow-through entities with business activity in Michigan. Such passthrough entities may make a three-year binding election to file a return and pay the new passthrough entity tax on behalf of their members; this election applies retroactively to tax years beginning on or after January 1, 2021. According to the Department, “the flow-through entity tax allows certain flow-through entities to elect to file a return and pay tax on income in Michigan and allows members or owners of that entity to claim a refundable tax credit equal to the tax previously paid on that income.” The Department provides that all payments under this new flow-through entity tax must be submitted through Michigan Treasury Online (MTO), and that a payment submitted timely through MTO “will be deemed to be a valid election for the tax year specified on that payment.” The Department also states that it “will be issuing additional and more detailed guidance about the flow-through entity tax and its impact on members,” which is “expected to be published in early January 2022.” Please contact us with any questions.

**URL:** <https://www.michigan.gov/taxes/0,4676,7-238-43976-574512--,00.html>

**URL:** <http://legislature.mi.gov/doc.aspx?2021-HB-5376>

**URL:** <https://www2.deloitte.com/content/dam/Deloitte/us/Documents/Tax/us-tax-michigan-enacts-flow-through-entity-tax-election.pdf>

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