

Accounting Aid Society
Site Coordinator Update – March 7, 2026

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Self-Employment Income with Qualified Tips – Update

Tax returns for taxpayers who received qualified tips as a non-employee (self-employed individuals) may now be filed. (Note: Last week’s update instructed to hold these returns.) Clarification has been received from the IRS on the net income limitation for the no tax on tips deduction for these taxpayers.

Accounting Aid Society has developed a *Qualified Tips Deduction Worksheet for Self-Employed Taxpayers*. The worksheet is attached to the email with this update.

- The worksheet calculates the net income limitation for the no tax on tips deduction and it also instructs on a qualified business income adjustment.
- This worksheet **must be completed** for all taxpayers who received qualified tips in the course of a trade or business.
- If a taxpayer received qualified tips for more than one business, a separate worksheet needs to be completed for each business.
- The completed worksheet should be given to the client to keep with their other records for tax year 2025.

The qualified tips must be included in the total amount of compensation, income, or payments reported to the taxpayer on Form 1099-NEC, Form 1099-MISC or Form 1099-K. For tax year 2025, taxpayers may base their determination of the amount of their qualified tips on documentation such as receipts, point-of-sale system reports, daily tip logs, third party settlement organization records, or other documents that show that the amount reported as qualified tips is the correct amount. **The taxpayer must keep a record of the documents used to determine the amount of qualified tips.**

Reminder: Only amounts that appear in the aggregate on Forms 1099 can be considered qualified tips. Any “cash tips” received by the self-employed individual in actual cash that don’t appear on Form 1099-NEC, Form 1099-MISC or Form 1099-K cannot be included in the deduction.

Michigan Identity Verification Letters

Some taxpayers may receive a letter from Michigan Department of Treasury asking them to verify their identity after filing a Michigan individual income tax return. This security step helps protect taxpayers, ensuring refunds are issued to the rightful person.

If taxpayers come to the tax site with this letter, and if time permits, please assist them with responding to the letter by sharing the information below. We will soon develop a handout with instructions that can be given to the taxpayer for them to follow.

Treasury's system upgrade in November 2025 brought changes to the process and appearance of this Identity Verification Letter. The letter now includes a QR code at the top of the page that directs taxpayers to the MiTreasury eServices – Citizen portal within the new [Michigan Treasury eServices](#) platform. Taxpayers do not need to log in to verify their identity, but they will need information from the letter to complete the process.

The instructions on the back of the letter should walk taxpayers through the steps of completing the identity verification process. Taxpayers are not required to scan the QR code to begin the identity verification process. Treasury provided steps for the online identity verification process:

1. Access the [MiTreasury eServices – Citizen](#) portal.
2. In the Correspondence section of the landing page, use the Verify My Identity link.
3. Enter the PIN or one-time password provided on the letter.
4. Respond based on the prompts provided.

If a taxpayer is unsure whether a letter they received is legitimate, encourage them to reference the steps above and check with official sources if the process breaks down at any point. They can call the Individual Income Tax Call Center at 517-636-4486 or send a message through Michigan Treasury eServices.

TaxSlayer

DISABILITY EXEMPTION ON MICHIGAN CITIES COMMON FORM

Please hold the city returns for those taxpayers claiming a Deaf or Disabled exemption on a Michigan City Common Form. Although there are questions in TaxSlayer on the Basic Information page for the Common Form to indicate if taxpayer (or spouse, if married filing jointly) is deaf or disabled, the exemption does not flow to the PDF of the form.

- Identify the return by selecting the **CF-1040 Disability Issue** return tag.
- Remove and shred the CF-1040 from the taxpayer's copy of the return and do not print the AAS Common Form for Mailing.
- Explain the situation to the taxpayer and let them know we will contact them once TaxSlayer has fixed the issue. We will make arrangements to get copies of the form (one for mailing and one for their records) to them.

TaxSlayer is aware of the issue and has reopened Ticket #3659 for development to review.

Note: This issue was last addressed in the update for February 7, 2026, when it was understood at that time that the issue had been fixed by TaxSlayer. If you happen to recall any returns where a Common Form, CF-1040, was completed for a client and a disability exemption was claimed, please let us know so that we may follow up with the taxpayer.