

Accounting Aid Society
Site Coordinator Update – March 11, 2023

CONTENTS:

▪ Volunteer Tax Alert	▪ 2022 Millage Rates
▪ Lowering MI Costs Plan – Michigan Earned Income Tax Credit for Working Families; Retirement Income Tax Rollback	▪ Service Fee and Tax-Exempt Housing Lists
	▪ Estimated Taxes – When to Advise Taxpayers to Make Estimated Payments
▪ Election Worker Income	▪ Photos Needed for Volunteer Newsletter

Volunteer Tax Alert

A fifth Volunteer Tax Alert (VTA) has been issued by the IRS for the current filing season and is listed below. Please share the information with volunteers and staff.

- [VTA 2023-05, State Payment Tax Guidance](#)
The alert provides information regarding special payments issued during 2022 by multiple states. This is unlikely to be encountered at our tax sites as Michigan did not issue any special payments in 2022; however, we should be aware of the topic.

Volunteer tax alerts are available on our Resources page at <https://www.accountingaidresources.org/vta> and in the IRS Site Coordinator Corner at <https://www.irs.gov/individuals/quality-and-tax-alerts-for-irs-volunteer-programs>.

Lowering MI Costs Plan – Michigan EITC for Working Families; Retirement Tax Rollback

The Lowering MI Costs Plan was signed into law on March 7, 2023, which included the Michigan Earned Income Tax Credit (EITC) for Working Families and the Retirement Income Tax Rollback.

Michigan EITC for Working Families

The new law expands the Michigan earned income tax credit. Please see the attached FAQs for more information. Key takeaways to address questions that might be asked by our clients include:

- Michigan EITC is increased from 6% to up to 30% of the federal EITC
- The expanded credit is retroactive to the 2022 tax year
- Eligible individuals will receive the original 6% credit on their MI-1040
- Later in the year, Michigan Department of Treasury will issue a supplemental payment for the difference between the original credit on the 2022 MI-1040 and the increased credit amount
- Taxpayers should not file an amended return nor try to claim the increased Michigan EITC on their 2022 MI-1040
- Taxpayers are encouraged to visit Treasury’s webpage for updates on the supplemental check timeframe, <https://www.michigan.gov/taxes/iit/eitc>

Retirement Income Tax Rollback

The rollback of the retirement income tax does not affect tax year 2022. The new law rolls back the 3-tier system of limitations and restrictions placed on the retirement subtraction in 2012. There will be a 4-year phase-in period beginning with tax year 2023, and beginning in 2026, the new law will restore the pension subtraction for most taxpayers in Michigan, subject to some minor changes.

Election Worker Income

Payment received for services performed as an election worker should be reported as wages on the federal tax return. Government entities should be issuing a Form W-2 for election workers who receive payments of \$600 or more; however, we are seeing that the City of Detroit and some other government entities are reporting these payments on Form 1099-NEC, Nonemployee Compensation.

Due to the additional lines for line 1 on the 2022 federal Form 1040, specifically line 1h for Other earned income, we have revised our workaround instructions for Election Worker Income that ensures these payments are reported as earned income on the 1040 and included in calculations for the earned income credit and the additional child tax credit. We've attached the instructions to this update and it will also be posted to our Resources page.

Please make sure volunteers and staff are using these revised instructions for tax year 2022 and no longer using the workaround for prior years to report election worker income as household employee income.

2022 Millage Rates

A listing of the 2022 Michigan property tax millage rates has been posted to Michigan Department of Treasury's web site. This can be an alternate source for determining property taxes levied for the year. The homeowner must provide proof of the taxable value and the percentage of Principal Residence Exemption (PRE). You can access the 2022 list through a link on our Resources page or visit www.michigan.gov/taxes and click on the Property Tax tab. Then select Estimate Your Property Taxes/Millage Rate Information and then Millage Rates.

Note: If you don't have all of the property tax bills for the year and need to rely on the millage rate to calculate property taxes levied, Treasury's property tax division has provided the following guidance: "For properties with a principal residence exemption, tax preparers should use the 5th column of millage rates, which include special assessments eligible for the HPTC."

Service Fee and Tax-Exempt Housing Lists

Michigan Department of Treasury has informed us that the service fee housing and tax-exempt housing lists are currently being updated. They also indicated that pulling the addresses for the lists is a manual process, so it may take some time to provide the completed list to the public. In the meantime, when preparing Homestead Property Tax Credit Claims for renters, use the lists which are posted on our Resources page. The lists should be referenced often.

If the client's address is on the service fee housing list, the Homestead Property Tax Credit Claim should be filed accordingly. If the address is on the tax-exempt housing list, a claim should not be filed for the months lived in exempt housing.

If a taxpayer questions a listing, we recommend that they contact the property manager and/or building owner for clarification. They can also contact the Assessor's office for their city/township. It is ultimately the filer's responsibility to find out for certain the property tax status of the property – taxes were levied, a service fee was paid in lieu of taxes, or the housing was exempt from paying property taxes.

Estimated Taxes – When to Advise Taxpayers to Make Estimated Payments for 2023

At this point of the tax season and through April 18, we will likely see more clients who owe tax, so we are providing a reminder as to when taxpayers are required to make estimated tax payments.

If the taxpayer has a tax due amount on their 2022 tax return in the amount(s) noted below, and it's estimated their 2023 tax due amount will be the same or more (estimated 2023 income, credits, and any income tax withholding will be the same as 2022), advise the taxpayer to make estimated tax payments.

- Federal – If tax due is \$1,000 or more
- Michigan – If tax due is more than \$500
- Detroit – If tax due is more than \$100
- Hamtramck, Highland Park, and Pontiac – If tax due is \$100 or more

Provide the client with the 2023 payment vouchers either through TaxSlayer or, in the case of some cities, from the city web site. Make sure the client is aware of the due dates for the quarterly payments and give them mailing envelopes with the applicable mailing label on them.

The following information may assist in determining quarterly estimated tax payments for 2023. To avoid penalty and interest charges, a certain amount of tax must be paid through withholdings and/or estimated tax payments:

- Federal – The smaller of 90% of the 2023 tax or 100% of the 2022 tax
- Michigan – The smaller of 90% of the 2023 income tax less refundable credits or 100% of the 2022 income tax less refundable credits
- Michigan Cities – At least 70% of the 2023 or 2022 tax liability, whichever is lower

Photos Needed for Volunteer Newsletter

Please take a moment at your tax site to take a picture(s) of our hard-working volunteers, and don't forget to include yourself. We would like to include some group pictures in the weekly Volunteer Newsletter. Share your pictures with Kelly Lepper at volunteer@accountingaidsociety.org. Please try to send pictures with volunteers only.