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*Michigan Business Tax notice  
requires filing by federally  
disregarded entities; Deadline  
extended to December 31, 2011*

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The Michigan Department of Treasury on October 3 released a revised "Notice to Taxpayers" providing that disregarded entities for federal tax purposes, including single member limited liability companies or QSubs, now have until December 31, 2011 to file a separate return (or file as a member of a unitary business group, if applicable) for Michigan Business Tax (MBT) purposes. The revised Notice extends the due date from October 31, 2011 for compliance (which itself was an extension from a June 30, 2011 deadline). [[Second Revised Notice to Taxpayers Regarding Federally Disregarded Entities and the Michigan Business Tax](#), Mich. Dept. of Treas., revised 4/30/2011]

According to the Notice, a person or unitary business group that previously filed an MBT return that included one or more "previously disregarded entities" is required to amend its returns and treat the disregarded entities as separate entities for all open periods, even if the amended returns do not change the tax liability. Further, a previously disregarded entity that exceeds the \$350,000 filing threshold (which takes into account the apportioned gross receipts of the entire unitary business group) or is otherwise required to file must file all required forms and supporting schedules, including combined filing schedules, if applicable. Both previously disregarded entities and persons amending returns to remove previously disregarded entities must prepare a corresponding *pro forma* federal return.



The revised Notice now gives taxpayers until December 31, 2011 to file returns or amended returns for prior periods to avoid the imposition of failure to file penalties, although interest will accrue on any resulting deficiencies from the time the tax was originally due. The Notice provides that previously disregarded entities that do not have a Federal Employer Identification Number or Michigan Treasury Assignment Number must register with the Department before filing an MBT return.

## **PwC Observes**

"It should be noted that this Notice does not have the force of law, but merely provides the Department's informal guidance as it relates to how it may administer the tax," observes Eric Burkheiser, SALT Partner with PwC in Detroit.

"This is the second time the state has moved the date of complying with this Notice. . . The general thought is that the filing requirement is being extended again to give time for the legislature to enact a retroactive law to treat domestic disregarded entities in accordance with their treatment for federal income tax purposes. In fact, there is a bill that was recently introduced that does just that and it has broad support. We will continue to monitor this situation carefully," Burkheiser advises.

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