

2017 MICHIGAN Corporate Income Tax Penalty and Interest Computation for Underpaid Estimated Tax

Issued under authority of Public Act 38 of 2011.

Taxpayer Name	Federal Employer Identification Number (FEIN)
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PART 1: ESTIMATED TAX REQUIRED

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|---|----|--|----|
| 1. Total Tax Liability from Form 4891, line 43; Form 4905, line 41; or Form 4908, line 22. (If amending, see instr.) .. | 1. | | 00 |
| 2. Required estimate amount. Enter 85% (0.85) of line 1..... | 2. | | 00 |

		A	B	C	D
3. ENTER THE PAYMENT DUE DATES (MM-DD-YYYY)	3.				
4. Divide amount on line 2 by 4, or by the number of quarterly returns required. If annualizing, enter the amount from Annualization Worksheet, line 57, page 2	4.				
CAUTION: Complete lines 5 - 13 one column at a time					
5. Prior year overpayment	5.		X X X X X	X X X X X	X X X X X
6. Estimated and FTW payments (see instructions).....	6.				
7. Enter amount, if any, from line 13 of the previous column.	7.	X X X X X			
8. Add lines 5, 6 and 7.....	8.				
9. Add amounts on lines 11 and 12 of the previous column and enter the result here	9.	X X X X X			
10. Subtract line 9 from line 8. If less than zero, enter zero. For column A only, enter the amount from line 8	10.				
11. Remaining underpayment from previous period. If amount on line 10 is zero, subtract line 8 from line 9 and enter result here. Otherwise, enter zero.....	11.	X X X X X			
12. If line 4 is greater than or equal to line 10, subtract line 10 from line 4 and enter it here. Then go to line 6 of the next column. Otherwise, go to line 13	12.				
13. If line 10 is greater than line 4, subtract line 4 from line 10 and enter it here. Then go to line 6 of next column	13.				

PART 2: FIGURING INTEREST

		A	B	C	D
14. TOTAL UNDERPAYMENT. Add lines 11 and 12.....	14.				
15. Enter due date for the next quarter or date tax was paid, whichever is earlier. In column D, enter the due date for the annual return or date tax was paid, whichever is earlier	15.				
16. Number of days from the date on line 3 to the date on line 15	16.				
17. No. of days on line 16 after 04-15-17 and before 07-01-17..	17.				
18. No. of days on line 16 after 06-30-17 and before 01-01-18..	18.				
19. No. of days on line 16 after 12-31-17 and before 07-01-18..	19.				
20. No. of days on line 16 after 06-30-18.....	20.				
21. <u>Number of days on line 17</u> x 4.5% (0.0450) x line 14.....	21.				
365					
22. <u>Number of days on line 18</u> x 4.7% (0.0470) x line 14.....	22.				
365					
23. <u>Number of days on line 19</u> x 5.15% (0.0515) x line 14.....	23.				
365					
24. <u>Number of days on line 20</u> x % x line 14.....	24.				
365					
25. Interest on underpayment. Add lines 21 through 24.....	25.				
26. Interest Due. Add line 25 columns A through D.....	26.				00

* Interest rate will be set at 1% above the adjusted prime rate for this period.

PART 3: FIGURING PENALTY

		A	B	C	D
27. Enter the amount from line 12.....	27.				
28. Payment due dates from line 3 (MM-DD-YYYY).....	28.				
29. Annual return due date or the date payment was made, whichever is earlier.....	29.				
30. Number of days from date on line 28 to date on line 29.....	30.				
31. If line 30 is greater than 0 but less than 61, multiply line 27 by 5% (0.05).....	31.				
32. If line 30 is greater than 60, but less than 91, multiply line 27 by 10% (0.10).....	32.				
33. If line 30 is greater than 90, but less than 121, multiply line 27 by 15% (0.15).....	33.				
34. If line 30 is greater than 120, but less than 151, multiply line 27 by 20% (0.20).....	34.				
35. If line 30 is greater than 150, multiply line 27 by 25% (0.25).....	35.				
36. Add lines 31 through 35.....	36.				
37. Total Penalty. Add line 36, columns A through D.....	37.				00
38. Total Penalty and Interest. Add lines 26 and 37. Enter here and on Form 4891, line 50; or Form 4905, line 48; or Form 4908, line 29. (If amending, see instructions.).....	38.				00

PART 4: ANNUALIZATION WORKSHEET FOR CORPORATE INCOME TAX

(If filing Form 4905, 4906, 4908 or 4909, see instructions.)

Complete worksheet if liability is not evenly distributed throughout the tax year.

		A First 3 Months	B First 6 Months	C First 9 Months	D Full 12 Months
39. Business Income.....	39.				
40. Additions.....	40.				
41. Add lines 39 and 40.....	41.				
42. Subtractions.....	42.				
43. Tax Base. Subtract line 42 from line 41.....	43.				
44. Apportioned Tax Base. Multiply line 43 by the apportionment percentage from Form 4891, line 9g.....	44.				
45. CIT business loss carryforward.....	45.				
46. Subtract line 45 from line 44. If less than zero, enter zero.....	46.				
47. Tax Before Credit. Multiply line 46 by 6% (0.06).....	47.				
48. Nonrefundable Credit.....	48.				
49. Subtract line 48 from line 47. If less than zero, enter zero.....	49.				
50. Recapture of Certain Business Tax Credits.....	50.				
51. Net Tax Liability. Add line 49 and line 50.....	51.				
52. Annualization ratios.....	52.	4	2	1.3333	1
53. Annualized tax. Multiply line 51 by line 52.....	53.				
54. Applicable percentage.....	54.	21.25%	42.5%	63.75%	85%
55. Multiply line 53 by line 54.....	55.				
56. Combined amounts of line 57 from all preceding columns.....	56.	X X X X X			
57. ESTIMATE REQUIREMENTS BY QUARTER. Subtract line 56 from line 55. If less than zero, enter zero. Enter here and on page 1, line 4.....	57.				

NOTE: Totals on line 57 must equal the amount on line 2, page 1.

Instructions for Form 4899, Corporate Income Tax (CIT) Penalty and Interest Computation for Underpaid Estimated Tax

Purpose

To compute penalty and interest for underpaying, late, or failure to make payment of quarterly estimates. If a taxpayer prefers not to file this form, the Department of Treasury (Treasury) will compute any applicable penalty and interest and bill the taxpayer. Part 4 of this form is used to determine and report the amount of estimates due when income is not evenly distributed throughout the tax year.

NOTE: Penalty and interest for late filing or late payment on the annual return is computed separately. See the “Computing Penalty and Interest” section of the “General Information for Standard Taxpayers” in the *CIT Forms and Instructions for Standard Taxpayers* (Form 4890).

Estimated returns and payments are required from any taxpayer that reasonably expects an annual CIT liability of more than \$800. Exceptions are listed below. If a taxpayer owes estimated tax and the estimated return with full payment is not filed or is filed late, penalty is added at 5 percent of tax due, for the first two months. Penalty increases by an additional 5 percent per month, or fraction thereof, after the second month, to a maximum of 25 percent. If the taxpayer made no estimated tax payments and none of the exceptions below apply, compute the interest due (Part 2) and the penalty for non-filing (Part 3).

Exceptions

Estimated returns and payments are not required, and therefore penalty and interest on this form is not required, if:

- The return is for a taxable period of less than four calendar months.
- The annual tax on the current annual return is \$800 or less.

If any of the conditions listed below apply, do not pay penalty and interest.

- The estimated quarterly payments reasonably approximate the tax liability incurred for each quarter and the total of all payments equals at least 85 percent of the annual liability. Complete the Annualization Worksheet (Part 4) if the liability is not evenly distributed throughout the tax year.
- The sum of estimated payments equals the annual tax on the preceding year’s CIT return, provided these payments were made in four timely equal payments (“four timely equal payments” describes the minimum pace of payments that will satisfy this safe harbor) and the preceding year’s tax under the Income Tax Act is \$20,000 or less. If the prior year’s tax liability was reported for a period less than 12 months, the prior year’s liability must be annualized for purposes of both the \$20,000 ceiling and calculating the quarterly payments due under this method. See “Filing if Tax Year Is Less Than 12 Months” in the “General Information” section of Form 4890 for more information. Reliance on the prior year’s tax liability as a means to avoid interest and penalty charges is only allowed if a taxpayer had business activity in Michigan in that prior year. A return must have been filed to establish the tax liability

for that prior year, even if gross receipts in the prior year were less than \$350,000. In addition, if the taxpayer’s business was not in existence in the preceding year, no safe harbor exists. In such a case, estimates must be based on the CIT liability for the current year.

NOTE: For a taxpayer that calculates and pays estimated payments for federal income tax purposes pursuant to section 6655(e) of the Internal Revenue Code, that taxpayer may use the same methodology as used to calculate the annualized income installment or the adjusted seasonal installment, whichever is used as the basis for the federal estimated payment, to calculate the estimated payments required each quarter under this section. Retain the calculation for your records.

Line-by-Line Instructions

Lines not listed are explained on the form.

Do not enter data in boxes filled with Xs.

Dates must be entered in MM-DD-YYYY format.

Taxpayer Name and Account Number: Enter name and account number as reported on page 1 of the applicable CIT annual return (*CIT Annual Return* (Form 4891), the *Insurance Company Annual Return for Corporate Income and Retaliatory Taxes* (Form 4905), or the *Corporate Income Tax Annual Return for Financial Institutions* (Form 4908)). Also, the taxpayer FEIN from page 1 must be repeated in the proper location on page 2.

PART 1: ESTIMATED TAX REQUIRED

Line 2: Enter 85 percent of the annual tax amount from line 1.

Line 3: Enter the due date for each quarterly return. For calendar year filers these dates are April 15, July 15, October 15, and January 15. For fiscal year filers, these dates are 4th, 7th, 10th and 13th months after the start of the fiscal year. Payment is due on the 15th day of the month. For any tax year that includes an estimated tax payment period of less than three months, the quarterly return for that period is due on the 15th day of the month immediately following the final month of the estimated tax payment period.

Line 4: Divide the amount of the estimated tax required for the year on line 2 by four and enter this as estimated tax for each quarter. If the business operated less than 12 months, divide by the number of quarterly returns required and enter this as the estimated tax for each quarter.

Actual Quarterly Tax. If a taxpayer computes quarterly tax due based on the actual tax base for each quarter, complete Part 4 first, then bring the tax from line 57 of the Annualization Worksheet to line 4. See Part 4 instructions for taxpayers filing a return other than Form 4891. The total of the four computed amounts cannot be less than line 2.

Line 5: Complete column A only. Enter the amount of prior year overpayment credited to the current tax year estimates.

Line 6: Amount Paid. On this line enter estimated payments made by the taxpayer and Flow-through Withholding payments made on behalf of the taxpayer as directed below:

- **Column A:** Enter estimated payments made by the due date for the first quarterly return. Also enter in column A the total Flow-Through Withholding payments from line 46 of Form 4891; line 25 of Form 4908; or line 44 of Form 4905. Also, insurance companies only can add the Workers' Disability Supplemental Benefit (WDSB) Credit from line 46.
- **Column B:** Enter payments made after the due date in column A and by the due date in column B.
- **Column C:** Enter payments made after the due date in column B and by the due date in column C.
- **Column D:** Enter payments made after the due date in column C and by the due date in column D.

If quarterly payments are made after the due date, penalty and interest will apply until the payment is mailed. If less than full payment is made with a late filing, the taxpayer will need to compute multiple penalty and interest calculations for each column. Attach a separate schedule if necessary.

PART 2: FIGURING INTEREST

Compute the interest due for both non-filing and underpayment of the required estimated tax in this section. Follow the instructions for each line, as interest is calculated separately for each quarter and the interest rate might not be the same for each quarter.

Line 15: Enter the due date of the next quarter or the date the tax was paid, whichever is earlier. In column D, enter the earlier of the due date for the annual return or the date the tax was paid. An approved extension does not change the due date of the annual return (column D) for this computation.

NOTE — Line 24: Interest rates are adjusted every six months and posted as a Revenue Administrative Bulletin (RAB) by Treasury. For updated interest rates, visit michigan.gov/treasury, click on the link titled "Reports & Legal Resources," then select "Revenue Administrative Bulletins." The applicable RAB is titled "Interest Rate."

PART 3: FIGURING PENALTY

Compute the penalty due for both non-filing and underpayment of the required estimated tax in this section. Follow the instructions for each line, as the penalty and interest is calculated separately for each quarter and the penalty percentage and interest rate might not be the same for each quarter.

Avoiding Penalty and Interest Under CIT

If estimated liability for the year is reasonably expected to exceed \$800, a taxpayer must file estimated returns. A taxpayer may remit quarterly estimated payments by check with a *Corporate Income Tax Quarterly Return* (Form 4913) or may remit monthly or quarterly estimated payments electronically by Electronic Funds Transfer (EFT). When payments are made by EFT, Form 4913 is not required.

Formerly, taxpayers could pay by check on a monthly basis by remitting a check with a *Combined Return for Michigan Tax*

(Form 160). Form 160 was replaced effective January 2015. The new form no longer accommodates CIT payments. As a result, Form 4913 is the only form that supports a CIT estimated payment.

Estimated returns and payments for calendar year taxpayers are due by April 15, July 15, October 15, and January 15 of the following year. Fiscal year taxpayers should make returns and payments by the appropriate due date which is fifteen days after the end of each fiscal quarter. The sum of estimated payments for each quarter must always reasonably approximate the liability for the quarter.

NOTE: Your debit transaction will be ineligible for EFT if the bank account used for the electronic debit is funded or otherwise associated with a foreign account to the extent that the payment transaction would qualify as an International ACH Transaction (IAT) under NACHA Rules. Contact your financial institution for questions about the status of your account. Contact the Michigan Department of Treasury's (Treasury) Corporate Income Tax Division at 517-636-6925 for alternate payment methods.

PART 4: ANNUALIZATION WORKSHEET FOR CORPORATE INCOME TAX

Standard taxpayers may use the Annualization Worksheet to calculate and report the amount of estimates due when income is not evenly distributed throughout the tax year.

If filing Form 4905 or Form 4908, submit a schedule showing the entity's computations for each quarter. Enter the total amounts on line 51 and follow the instructions for lines 52 through 57.

Each column represents a quarterly three-month filing period.

The Annualization Worksheet essentially leads filers through the steps required to calculate the actual CIT due for the tax year to date. The net tax liability is then annualized and multiplied by the percentage of estimates required for that quarter.

Line 57: The totals for line 57, columns A, B, C, and D, must equal 85 percent of the current year tax liability in Part 1.

Include completed Form 4899 as part of the tax return filing.