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# SERVICE BULLETIN

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## Michigan Tax Credit for Positive Reserve Balance Employers

May 21, 2010

A tax credit is available for Michigan employers, to partially offset state unemployment taxes. This credit is provided under Michigan law to ease the burden on employers who have to paid additional FUTA taxes for 2009 due to outstanding loans from the federal government.

The credit is the **lesser** of either:

50% of the additional FUTA tax paid by an employer for the previous year.

OR

The employer's taxable wages for the previous calendar year multiplied by the Nonchargeable Benefits Component ("NBC") of the employer's unemployment tax rate for that year.

The additional FUTA tax for 2009 was 0.30% of FUTA taxable wages (using a \$7,000 taxable wage base), or \$21 per full-time employee. Fifty percent of this (0.15%) would be \$10.50 per full-time employee. For most employers this would be the smaller of the two calculations, and the limit on the tax credit.

To qualify for this credit, an employer must meet all of the following requirements:

- Has applied for the state tax credit and has paid Michigan unemployment taxes for five years or more and has a tax rate for the year of the Michigan tax credit (2009).
- Has a positive reserve ending balance in its unemployment experience account as of June 30, 2008.
- Has filed all required quarterly tax reports for the year prior to the year of the credit.
- Has paid additional FUTA taxes on IRS Form 940, to the IRS no later than December 31, 2010.
- Has paid FUTA taxes prior to submitting the Michigan tax credit application.
- Has certified the amount of additional 2009 FUTA taxes paid when it applies for the credit.

Please note that the Actual Reserve and NBC on your 2009 tax rate determination must be greater than zero and you must have filed all required quarterly tax reports for 2009. If you are unsure of your Actual Reserve and/or NBC, or would like assistance in determining if you are eligible for this credit, please contact our office and we will be glad help.

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You may apply for the credit through the UIA Employer Web Account Manager (“EWAM”) at [www.michigan.gov/uia](http://www.michigan.gov/uia) or by completing Form UIA 1110, “Application for Michigan Unemployment Tax Credit”. Both application options are currently available on EWAM and we have attached a copy of Form 1110 to this bulletin for your convenience. Please note that if you submit your application for this credit prior to June 1, 2010, you will be permitted to use the credit when filing your second quarter 2010 Michigan unemployment tax return.

As always, please contact us if there are any questions.