

Questions and Answers About Paying Your Withholding Tax on an Accelerated Schedule

Key Factors About Filing Your Withholding Tax on an Accelerated Schedule

- ▶ Required for withholding tax liability that averages \$40,000 or more each month of the previous calendar year
- ▶ Filing frequency is changed to match your payment schedule for Federal withholding tax
- ▶ Payments must be made using Electronic Funds Transfer (EFT)
- ▶ Eliminate paper filing requirements by registering to pay other taxes by EFT

1. What is Accelerated Withholding Tax?

Accelerated withholding tax is a modified payment schedule for remitting Michigan withholding tax. Public Acts 82 and 83 of 1991 require taxpayers who paid a monthly average of \$40,000 or more income tax withholding in the preceeding calendar year to make their payments in the same manner and according to the same schedule as their federal withholding tax payments.

2. When am I required to begin Accelerated Withholding Tax payments?

The Michigan Department of Treasury will notify you in writing of your change to accelerated withholding. Accelerated withholding tax payments must continue unless you are notified in writing of a change to your filing status. These written notifications are generally mailed in April.

3. What are the payment requirements and schedule for accelerated withholding?

Accelerated withholding tax payments must be made according to the same schedule as your Federal withholding tax payments. Accelerated withholding tax payments must be made by Electronic Funds Transfer (EFT). Payment by wire transfer will not be accepted. For timely receipt of payment, EFT Debit filers must complete their transaction by 9 p.m. ET, one business day prior to the due date. EFT Credit filers will need to contact their financial institution for their requirements.

4. What is the payment schedule for flow-through withholding tax if I am an accelerated filer?

Flow-through payments are due on a quarterly basis; however, payments must be made according to the Federal schedule and by EFT. For additional information regarding flow-through withholding tax see Revenue Administrative Bulletin (RAB) 2003-4 available at www.michigan.gov/treasury.

5. What if the due date falls on a weekend or holiday?

If the due date falls on a weekend, state holiday, or banking holiday, the due date is the next business day. **NOTE:** For a listing of specific state holidays, please refer to Form 3149, *Sales, Use and Withholding Tax Due Dates for Holidays and Weekends*.

6. What is the difference between EFT credit and EFT debit?

In an EFT credit transaction, the taxpayer contacts its bank to initiate a transaction debiting its bank account and transferring the funds to the State's account for the amount due. An EFT debit transaction is similar to the EFT credit transaction, except the taxpayer notifies the State (or the State's contractor). The State, through its bank, then initiates the transaction through the Automated Clearing House (ACH) network to debit (withdraw funds from) the taxpayer's account.

7. When can I begin paying by EFT?

For EFT Debit, you must first complete Form 2248, Electronic Funds Transfer (EFT) Debit Application. You will receive transmission instructions along with your usercode and password from our contractor.

For EFT Credit, you must first complete Form 2328, Electronic Funds Transfer (EFT) Credit Application. You will then be notified to send a test transaction (a zero dollar transmission, correctly formatted). After a successful test you will receive written approval and you may begin paying by EFT.

NOTE: The certification section on Form 2248 or 2328 must be completed before the application is processed. This section must be signed by the officer, member or partner responsible for filing and paying Michigan Sales, Use and Withholding taxes.

8. Are Accelerated Withholding accounts still required to file a monthly paper return?

Accelerated Withholding accounts not registered for sales or use taxes do not need to file a paper return. If you are registered to pay either of these taxes and elect not to register all taxes for EFT, two Michigan Establishment (ME) numbers will be assigned to your account. One number will be set up to file your sales and use tax return and payment by check. A separate number will be used for paying your withholding taxes by EFT.

9. Can other taxes be paid by EFT?

Michigan sales, use and withholding taxes, Michigan business tax, and single business tax annual payments may be paid electronically.

If you elect to voluntarily remit your sales and use taxes by EFT, you will be required to electronically transmit these taxes monthly to avoid late fees. Voluntary EFT tax payments not remitted monthly are subject to late fees.

Additional information regarding voluntary EFT payments can be found on Form 2437, *Questions and Answers About Paying Your Sales, Use, Withholding and Michigan Business Taxes by Electronic Funds Transfer (EFT)* available at www.michigan.gov/biztaxpayments.

10. Will registering to pay other business taxes by EFT eliminate the paper return requirement?

Once registered to pay your sales, use and withholding taxes electronically, you are no longer required to submit Form 160, *Combined Return for Michigan Taxes*. Form 165, *Annual Return for Sales, Use and Withholding Taxes* is still required by February 28th of each year.

11. Can I send a check and return?

No. Accelerated tax payments must be made by EFT. Accelerated payments not made by EFT are subject to penalty and interest.

12. What if I pay more than one type of tax?

A separate transmission must be made for each tax type. You may not combine sales and use tax payments into one lump sum transmission. The following five-character tax codes should be used to complete your transmission(s):

- 01100 Withholding
- 02155 Michigan Business Tax Estimate
- 02671 Single Business Tax Annual

- 04200 Sales Tax
- 04400 Use Tax on Sales & Rentals
- 04500 Use Tax on Purchases

13. What notification is needed if I change banks?

EFT Credit filers supply your new bank with Form 2329, *Instructions for Payments of Michigan Sales, Use or Withholding Taxes Using EFT Credits*. Treasury recommends your new bank do a test transmission.

EFT Debit filers may change or edit their banking information by selecting the appropriate option when calling the Michigan Automated Tax Payment System (1-877-865-2860).

14. How far in advance may I complete my payment data?

EFT debit filers may make their payments up to 90 days in advance of the settlement date for that transaction. EFT credit filers should consult their financial institution for further instruction.

15. What if I hire or change a payroll service?

To register or change a payroll service provider for your account, submit a completed Form 3683, *Payroll Service Provider Combined Power of Attorney Authorization and Corporate Officer Liability (COL) Certificate for Business* found on Treasury’s Web site.

16. A division of a corporation does not have as great a liability as the corporation itself. Is the division required to file its sales and use tax on an accelerated basis?

Yes. The corporation is considered one legal entity, which includes all divisions. EFT Credit filers should refer to Form 2329 for a listing of the tax type codes and bank account numbers to use for the tax type added.

17. How do I add an additional tax to be paid by EFT?

EFT debit filers should complete and return Form 4515 as instructed. EFT Credit filers should refer to Form 2329 for a listing of the tax type codes to use in the transmission of the new tax type.

If you have questions concerning your account, completion of the application, or transmission of EFT payments, call the EFT Unit at (517) 636-4730. You may send a fax to (517) 636-4356 or send correspondence to:

**Return Processing - EFT Unit
Michigan Department of Treasury
P.O. Box 30427
Lansing, Michigan 48909**